



ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD

CERTIFICATE OF NEED PERMIT APPLICATION

MARCH 2018 EDITION

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ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
525 WEST JEFFERSON STREET, 2nd FLOOR
SPRINGFIELD, ILLINOIS 62761
(217) 782-3516

INSTRUCTIONS

GENERAL

- The application for permit (Application) must be completed for all proposed projects that are subject to the permit requirements of the Illinois Health Facilities Planning Act (Planning Act), including those involving the establishment, expansion, modernization and certain discontinuations of a service or facility.
- The persons preparing the application for permit are advised to refer to the Planning Act, as well as the rules promulgated there under (77 Ill. Adm. Codes 1100, 1110, 1120 and 1130) for more information.
- **The Application does not supersede any of the above-cited rules and requirements.**
- The Application is organized into several sections, involving information requirements that coincide with the Review Criteria in 77 Ill. Adm. Code 1110 (Processing, Classification Policies and Review Criteria) and 1120 (Financial and Economic Feasibility).
- Questions concerning completion of this form may be directed to Health Facilities and Services Review Board staff at (217) 782-3516.
- Copies of the Application form are available on the Health Facilities and Services Review Board Website www.hfsrb.illinois.gov.

SPECIFIC

- Use the Application as written and formatted.
- Complete and submit **ONLY** those Sections along with the required attachments that are applicable to the type of project proposed.
- **ALL APPLICABLE CRITERIA** for each applicable section must be addressed. If a criterion is **NOT APPLICABLE**, label it as such and state the reason why.
- For all applications for which time and distance documentation is required, submit copies of all MapQuest printouts that indicate the distance and time to or from the proposed facility.
- **ALL PAGES ARE TO BE NUMBERED CONSECUTIVELY BEGINNING WITH PAGE 1 OF THE APPLICATION. DO NOT INCLUDE INSTRUCTIONS AS PART OF THE APPLICATION OR IN NUMBERING THE PAGES IN THE APPLICATION.**
- Unless otherwise stated, attachments for each Section should be appended after the last page of the Application.
- Begin each attachment on a separate 8 1/2" x 11" sheet of paper and print or type the attachment identification in the lower right-hand corner of each attached page.
- Include documents such as MapQuest printouts, physician referral letters, impact letters, and documentation of receipt as appendices after the last attachment. Label as Appendices 1, 2, etc.
- For all applications that require physician referrals, the following must be provided: a summary of the total number of patients by zip code and a summary (number of patients by zip code) for each facility the physician referred patients to in the past 12 or 24 months, whichever is applicable.
- Information to be considered must be included with the applicable Section attachments. References to appended material not included within the appropriate Section will **NOT** be considered.
- The Application must be signed by the authorized representative(s) of each applicant entity.
- Provide an original Application and one copy, both **unbound**. **Label the copy that contains the original signatures original (put the label on the Application).**

Failure to follow these requirements **WILL** result in the Application being declared incomplete. In addition, failure to provide certain required information (e.g., not providing a site for the proposed project or having an invalid entity listed as the applicant) may result in the Application being declared null and void. Applicants

are advised to read Part 1130 with respect to completeness (1130.620(c)).

ADDITIONAL REQUIREMENTS

FLOOD PLAIN REQUIREMENTS

Before an application for permit involving construction will be deemed **COMPLETE**, the applicant must **attest** that the project is or is not in a flood plain and that the location of the proposed project complies with the Flood Plain Rule under Illinois Executive Order #2006-5.

HISTORIC PRESERVATION REQUIREMENTS

In accordance with the requirements of the Illinois State Agency Historic Resources Preservation Act (Preservation Act), the Health Facilities Services and Review Board is required to advise the Historic Preservation Agency (HPA) of any projects that could affect historic resources. Specifically, the Preservation Act provides for a review by the Historic Preservation Agency to determine if certain projects may impact historic resources. These types of projects include:

1. Projects involving demolition of any structures;
2. Construction of new buildings; or
3. Modernization of existing buildings.

The applicant must submit the following information to the HPA so that known or potential cultural resources within the project area can be identified and the project's effects on significant properties can be evaluated:

1. General project description and address;
2. Topographic or metropolitan map showing the general location of the project;
3. Photographs of any standing buildings/structure within the project area; and
4. Addresses for buildings/structures, if present.

The HPA will provide a determination letter concerning the applicability of the Preservation Act. Include the determination letter or comments from HPA with the application for permit.

Information concerning the Preservation Act may be obtained by calling (217) 785-7930 or writing the Illinois Historic Preservation Agency, Preservation Services Division, 1 Old State Capitol Plaza, Springfield, Illinois 67201-1507.

SAFETY NET IMPACT STATEMENT

A SAFETY NET IMPACT STATEMENT must be submitted for **ALL SUBSTANTIVE AND DISCONTINUATION PROJECTS**. SEE **SECTION X** OF THE APPLICATION FOR PERMIT.

CHARITY CARE INFORMATION

CHARITY CARE INFORMATION must be provided for **ALL** projects. SEE **SECTION XI** OF THE APPLICATION FOR PERMIT.

FEE

An application-processing fee (refer to Part 1130.230 to determine the fee) must be submitted with most applications. If a fee is applicable, an initial fee of \$2,500 **MUST** be submitted with the application. HFSRB staff will inform applicants of the amount of the fee balance, if any, that must be submitted. **The application will not be deemed complete and review will not be initiated until the entire processing fee is submitted. Payment may be made by check or money order and must be made payable to the Illinois Department of Public Health.**

APPLICATION SUBMISSION

Submit an original and one copy of all Sections of the application, including all necessary attachments. **The original must contain original signatures in the certification portions of this form.** Submit all copies to:

**Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761**

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

RECEIVED

This Section must be completed for all projects.

SEP 17 2018

Facility/Project Identification

HEALTH FACILITIES &
SERVICES REVIEW BOARD

Facility Name :Morrison Community Hospital		
Street Address:303 North Jackson Street		
City and Zip Code: Morrison, 61270		
County: Whiteside	Health Service Area: 1	Health Planning Area: B-3

Applicant(s) [Provide for each applicant (refer to Part 1130.220)]

Exact Legal Name: Morrison Community Hospital District
Street Address: 303 N. Jackson
City and Zip Code: Morrison 61270
Name of Registered Agent: N.A.
Registered Agent Street Address N.A.
Registered Agent City and Zip Code: N.A.
Name of Chief Executive Officer: Pam Pfister
CEO Street Address: 303 N. Jackson
CEO City and Zip Code: Morrison, 61270
CEO Telephone Number: 815-772-5530

Type of Ownership of Applicants

<input type="checkbox"/> Non-profit Corporation	<input type="checkbox"/> Partnership
<input type="checkbox"/> For-profit Corporation	<input checked="" type="checkbox"/> Governmental
<input type="checkbox"/> Limited Liability Company	<input type="checkbox"/> Sole Proprietorship
<input type="checkbox"/> Other	
<ul style="list-style-type: none">Corporations and limited liability companies must provide an Illinois certificate of good standing.Partnerships must provide the name of the state in which they are organized and the name and address of each partner specifying whether each is a general or limited partner.	
APPEND DOCUMENTATION AS ATTACHMENT 1 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. NOT APPLICABLE	

Primary Contact [Person to receive ALL correspondence or inquiries]

Name: Pam Pfister
Title: CEO
Company Name: Morrison Community Hospital
Address: 303 N. Jackson
Telephone Number: 815-772-5530
E-mail Address: ppfister@mchstaff.com
Fax Number: 815-772-5599

Additional Contact [Person who is also authorized to discuss the application for permit]

Name: Michael I. Copelin
Title: President
Company Name Copelin Healthcare Consulting:
Address: 42 Birch Lake Drive Sherman, Illinois 62684
Telephone Number: 217-725-4558
E-mail Address: Micbball@aol.com
Fax Number: 217-496-3097

Post Permit Contact

[Person to receive all correspondence subsequent to permit issuance-THIS PERSON MUST BE EMPLOYED BY THE LICENSED HEALTH CARE FACILITY AS DEFINED AT 20 ILCS 3960]

Name: Pam Pfister
Title: CEO
Company Name: Morrison Community Hospital
Address: 303 N. Jackson
Telephone Number: 815-772-5530
E-mail Address: pppfister@mchstaff.com
Fax Number: 815-772-5599

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: Morrison Community Hospital District
Address of Site Owner: 303 N. Jackson Morrison, IL. 61270
Street Address or Legal Description of the Site: Proof of ownership or control of the site is to be provided as Attachment 2. Examples of proof of ownership are property tax statements, tax assessor's documentation, deed, notarized statement of the corporation attesting to ownership, an option to lease, a letter of intent to lease, or a lease.
APPEND DOCUMENTATION AS ATTACHMENT 2, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Operating Identity/Licensee

[Provide this information for each applicable facility and insert after this page.]

Exact Legal Name: Morrison Community Hospital District			
Address: 303 N. Jackson Morrison, IL. 61270			
<input type="checkbox"/>	Non-profit Corporation	<input type="checkbox"/>	Partnership
<input type="checkbox"/>	For-profit Corporation	X	Governmental
<input type="checkbox"/>	Limited Liability Company	<input type="checkbox"/>	Sole Proprietorship
		<input type="checkbox"/>	Other
<ul style="list-style-type: none"> Corporations and limited liability companies must provide an Illinois Certificate of Good Standing. Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner. Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership. 			
APPEND DOCUMENTATION AS ATTACHMENT 3, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. NOT APPLICABLE			

Organizational Relationships

Provide (for each applicant) an organizational chart containing the name and relationship of any person or entity who is related (as defined in Part 1130.140). If the related person or entity is participating in the development or funding of the project, describe the interest and the amount and type of any financial contribution.

APPEND DOCUMENTATION AS ATTACHMENT 4, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Flood Plain Requirements

[Refer to application instructions.]

Provide documentation that the project complies with the requirements of Illinois Executive Order #2006-5 pertaining to construction activities in special flood hazard areas. As part of the flood plain requirements, please provide a map of the proposed project location showing any identified floodplain areas. Floodplain maps can be printed at www.FEMA.gov or www.illinoisfloodmaps.org. **This map must be in a readable format.** In addition, please provide a statement attesting that the project complies with the requirements of Illinois Executive Order #2006-5 (<http://www.hfsrb.illinois.gov>).

APPEND DOCUMENTATION AS ATTACHMENT 5, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Historic Resources Preservation Act Requirements

[Refer to application instructions.]

Provide documentation regarding compliance with the requirements of the Historic Resources Preservation Act.

APPEND DOCUMENTATION AS ATTACHMENT 6, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

DESCRIPTION OF PROJECT**1. Project Classification**

[Check those applicable - refer to Part 1110.20 and Part 1120.20(b)]

Part 1110 Classification:

☐ Substantive☒ Non-substantive

2. Narrative Description

In the space below, provide a brief narrative description of the project. Explain **WHAT** is to be done in **State Board defined terms**, **NOT WHY** it is being done. If the project site does NOT have a street address, include a legal description of the site. Include the rationale regarding the project's classification as substantive or non-substantive.

The applicant is proposing to modernize the hospital by constructing two additions to the facility which is located at 303 N. Jackson Street in Morrison, Illinois. The project will also include the renovation of existing space as it is reallocated after the construction of the additions.

Phase I Emergency Department Addition and Renovations project will consist of:

Single story new construction addition at First Floor for Emergency, Main Entry, Registration and expansion space for the Surgery department. The new construction also includes a new main entry canopy, a new Emergency ambulance canopy and a small canopy at Emergency walk-in entry.

Renovation at First Floor for Laboratory, Billing Office, Surgery reception and circulation. In addition, renovation for improvements at Cafeteria, for improvements within the Surgery department and improvements at Imaging.

Small new construction addition at Basement level for Mechanical infrastructure.

New program space for the Emergency Department will include provisions for patient and staff safety, including decontamination facilities and provisions for patients with mental health needs.

The project involves provision of a replacement OR sized for Ortho procedures and also includes development of an improved Surgery departmental entry for patient and staff efficiencies.

Space currently occupied by the existing Emergency Department is proposed to be repurposed to provide a 'front door' for the Imaging Department as well as accessible patient changing and toilet room support spaces.

Renovation of current administrative space into new use as Laboratory space will in turn allow for improvements to be made in the Imaging department using former Lab space.

New MEP work will be designed so as to improve the conditions of the aging existing infrastructure where feasible to do so.

Phase II Med/Surge Nursing Unit addition project will consist of:

Multi story addition at the south side of the hospital. This project will also involve renovations to selected existing functional areas.

New construction addition at Second Floor for new, single patient medical/surgical rooms and vertical circulation.

New construction addition at First Floor for Cardiac Rehab, Family Clinic provider offices and vertical circulation.

New construction addition at Basement for Meeting Rooms, Entry and vertical circulation.

Renovation at Second Floor for repurposing former patient rooms for new use as nurse station and associated support space.

Renovation at First Floor for Family Clinic provider offices.

New mechanical penthouse for HVAC equipment to serve the new Phase II building addition and thereby avoid additional burden to the existing MEP infrastructure.

The total estimated project cost is

This is a non-substantive project since it does not involve the establishment of a new category of service, nor a new health care facility.

Project Costs and Sources of Funds

Complete the following table listing all costs (refer to Part 1120.110) associated with the project. When a project or any component of a project is to be accomplished by lease, donation, gift, or other means, the fair market or dollar value (refer to Part 1130.140) of the component must be included in the estimated project cost. If the project contains non-reviewable components that are not related to the provision of health care, complete the second column of the table below. Note, the use and sources of funds must be equal.

Project Costs and Sources of Funds			
USE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Preplanning Costs	53,571	67,685	121,256
Site Survey and Soil Investigation	21,360	26,988	48,348
Site Preparation		2,400,000	2,400,000
Off Site Work			
New Construction Contracts	4,585,700	5,266,654	9,852,354
Modernization Contracts	1,607,165	1,089,940	2,697,105
Contingencies	699,647	690,157	1,389,503
Architectural/Engineering Fees	713,374	901,325	1,614,699
Consulting and Other Fees	20,064	25,350	45,414
Movable or Other Equipment (not in construction contracts)	161,100	88,900	250,000
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)	188,207	237,793	426,000
Fair Market Value of Leased Space or Equipment			
Other Costs To Be Capitalized			
Insurance and financing fees	372,437	470,583	843,000
Refinanced debt	1,242,342	1,569,658	2,812,000
Acquisition of Building or Other Property (excluding land)			
TOTAL USES OF FUNDS	9,664,987	12,835,013	22,500,000
SOURCE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Cash and Securities			
Pledges			
Gifts and Bequests	582,700	917,300	1,500,000
Bond Issues (project related)			
Mortgages	9,082,287	11,917,713	21,000,000
Leases (fair market value)			
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS	9,664,987	12,835,013	22,500,000
NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT 7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.			

Related Project Costs

Provide the following information, as applicable, with respect to any land related to the project that will be or has been acquired during the last two calendar years:

Land acquisition is related to project	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Purchase Price: \$	_____	
Fair Market Value: \$	_____	
The project involves the establishment of a new facility or a new category of service		
<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
If yes, provide the dollar amount of all non-capitalized operating start-up costs (including operating deficits) through the first full fiscal year when the project achieves or exceeds the target utilization specified in Part 1100.		
Estimated start-up costs and operating deficit cost is \$ <u>0</u>		

Project Status and Completion Schedules

For facilities in which prior permits have been issued please provide the permit numbers.	
Indicate the stage of the project's architectural drawings:	
<input type="checkbox"/> None or not applicable	<input checked="" type="checkbox"/> Preliminary
<input type="checkbox"/> Schematics	<input type="checkbox"/> Final Working
Anticipated project completion date (refer to Part 1130.140): <u>December 31, 2022</u>	
Indicate the following with respect to project expenditures or to financial commitments (refer to Part 1130.140):	
<input type="checkbox"/> Purchase orders, leases or contracts pertaining to the project have been executed.	
<input type="checkbox"/> Financial commitment is contingent upon permit issuance. Provide a copy of the contingent "certification of financial commitment" document, highlighting any language related to CON Contingencies	
<input checked="" type="checkbox"/> Financial Commitment will occur after permit issuance.	
APPEND DOCUMENTATION AS ATTACHMENT 8, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. <i>Not Applicable</i>	

State Agency Submittals [Section 1130.620(c)]

Are the following submittals up to date as applicable:

☒ **Cancer Registry**

☒ **APORS**

☒ All formal document requests such as IDPH Questionnaires and Annual Bed Reports been submitted

N/A All reports regarding outstanding permits

Failure to be up to date with these requirements will result in the application for permit being deemed incomplete.

Cost Space Requirements

Provide in the following format, the **Departmental Gross Square Feet (DGSF)** or the **Building Gross Square Feet (BGSF)** and cost. The type of gross square footage either **DGSF** or **BGSF** must be identified. The sum of the department costs **MUST** equal the total estimated project costs. Indicate if any space is being reallocated for a different purpose. Include outside wall measurements plus the department's or area's portion of the surrounding circulation space. **Explain the use of any vacated space.**

Dept. / Area	Cost	Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
		Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
REVIEWABLE							
Medical Surgical							
Intensive Care							
Diagnostic Radiology							
MRI							
Total Clinical							
NON REVIEWABLE							
Administrative							
Parking							
Gift Shop							
Total Non-clinical							
TOTAL							

APPEND DOCUMENTATION AS ATTACHMENT 9, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Facility Bed Capacity and Utilization

Complete the following chart, as applicable. Complete a separate chart for each facility that is a part of the project and insert the chart after this page. Provide the existing bed capacity and utilization data for the latest **Calendar Year for which data is available. Include observation days in the patient day totals for each bed service.** Any bed capacity discrepancy from the Inventory will result in the application being deemed **incomplete**.

FACILITY NAME :Morrison Community Hospital			CITY: Morrison		
REPORTING PERIOD DATES: From: January 1, 2017 to: December 31, 2017					
Category of Service	Authorized Beds	Admissions	Patient Days	Bed Changes	Proposed Beds
Medical/Surgical	25	265	2,939	0	25
Obstetrics					
Pediatrics					
Intensive Care					
Comprehensive Physical Rehabilitation					
Acute/Chronic Mental Illness					
Neonatal Intensive Care					
General Long Term Care					
Specialized Long Term Care					
Long Term Acute Care					
Other ((identify))					
TOTALS:	25	265	2,939	0	25

CERTIFICATION

The Application must be signed by the authorized representatives of the applicant entity. Authorized representatives are:

- o in the case of a corporation, any two of its officers or members of its Board of Directors;
- o in the case of a limited liability company, any two of its managers or members (or the sole manager or member when two or more managers or members do not exist);
- o in the case of a partnership, two of its general partners (or the sole general partner, when two or more general partners do not exist);
- o in the case of estates and trusts, two of its beneficiaries (or the sole beneficiary when two or more beneficiaries do not exist); and
- o in the case of a sole proprietor, the individual that is the proprietor.

This Application is filed on the behalf of Morrison Community Hospital District *
in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this Application on behalf of the applicant entity. The undersigned further certifies that the data and information provided herein, and appended hereto, are complete and correct to the best of his or her knowledge and belief. The undersigned also certifies that the fee required for this application is sent herewith or will be paid upon request.

Pam J. Pfister
SIGNATURE

Pam J. Pfister
PRINTED NAME

CEO
PRINTED TITLE

Camie L. Megui
SIGNATURE

Camie L. Megui
PRINTED NAME

CEO
PRINTED TITLE

Notarization:

Subscribed and sworn to before me
this 14th day of September 2018

Notarization:

Subscribed and sworn to before me
this 14th day of September 2018

Michele L. Folsom
Signature of Notary

Seal

OFFICIAL SEAL
MICHELE L. FOLSOM
NOTARY PUBLIC STATE OF ILLINOIS
MY COMMISSION EXPIRES 5-10-20

*Insert the EXACT legal name of the applicant

Michele L. Folsom
Signature of Notary

Seal

OFFICIAL SEAL
MICHELE L. FOLSOM
NOTARY PUBLIC STATE OF ILLINOIS
MY COMMISSION EXPIRES 5-10-20

SECTION III. BACKGROUND, PURPOSE OF THE PROJECT, AND ALTERNATIVES - INFORMATION REQUIREMENTS

This Section is applicable to all projects except those that are solely for discontinuation with no project costs.

1110.110(a) – Background of the Applicant

READ THE REVIEW CRITERION and provide the following required information:

BACKGROUND OF APPLICANT

1. A listing of all health care facilities owned or operated by the applicant, including licensing, and certification if applicable.
2. A certified listing of any adverse action taken against any facility owned and/or operated by the applicant during the three years prior to the filing of the application.
3. Authorization permitting HFSRB and DPH access to any documents necessary to verify the information submitted, including, but not limited to official records of DPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. **Failure to provide such authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.**
4. If, during a given calendar year, an applicant submits more than one application for permit, the documentation provided with the prior applications may be utilized to fulfill the information requirements of this criterion. In such instances, the applicant shall attest that the information was previously provided, cite the project number of the prior application, and certify that no changes have occurred regarding the information that has been previously provided. The applicant is able to submit amendments to previously submitted information, as needed, to update and/or clarify data.

APPEND DOCUMENTATION AS ATTACHMENT 11, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. EACH ITEM (1-4) MUST BE IDENTIFIED IN ATTACHMENT 11.

Criterion 1110.110(b) & (d)

PURPOSE OF PROJECT

1. Document that the project will provide health services that improve the health care or well-being of the market area population to be served.
2. Define the planning area or market area, or other relevant area, per the applicant's definition.
3. Identify the existing problems or issues that need to be addressed as applicable and appropriate for the project.
4. Cite the sources of the documentation.
5. Detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being.
6. Provide goals with quantified and measurable objectives, with specific timeframes that relate to achieving the stated goals as appropriate.

For projects involving modernization, describe the conditions being upgraded, if any. For facility projects, include statements of the age and condition of the project site, as well as regulatory citations, if any. For equipment being replaced, include repair and maintenance records.

NOTE: Information regarding the "Purpose of the Project" will be included in the State Board Staff Report.

APPEND DOCUMENTATION AS ATTACHMENT 12, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. EACH ITEM (1-6) MUST BE IDENTIFIED IN ATTACHMENT 12.

ALTERNATIVES

- 1) Identify **ALL** of the alternatives to the proposed project:

Alternative options **must** include:

- A) Proposing a project of greater or lesser scope and cost;
 - B) Pursuing a joint venture or similar arrangement with one or more providers or entities to meet all or a portion of the project's intended purposes; developing alternative settings to meet all or a portion of the project's intended purposes;
 - C) Utilizing other health care resources that are available to serve all or a portion of the population proposed to be served by the project; and
 - D) Provide the reasons why the chosen alternative was selected.
- 2) Documentation shall consist of a comparison of the project to alternative options. The comparison shall address issues of total costs, patient access, quality and financial benefits in both the short-term (within one to three years after project completion) and long-term. This may vary by project or situation. **FOR EVERY ALTERNATIVE IDENTIFIED, THE TOTAL PROJECT COST AND THE REASONS WHY THE ALTERNATIVE WAS REJECTED MUST BE PROVIDED.**
- 3) The applicant shall provide empirical evidence, including quantified outcome data that verifies improved quality of care, as available.

APPEND DOCUMENTATION AS ATTACHMENT 13, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION IV. PROJECT SCOPE, UTILIZATION, AND UNFINISHED/SHELL SPACE**Criterion 1110.120 - Project Scope, Utilization, and Unfinished/Shell Space**

READ THE REVIEW CRITERION and provide the following information:

SIZE OF PROJECT:

1. Document that the amount of physical space proposed for the proposed project is necessary and not excessive. This must be a narrative and it shall include the basis used for determining the space and the methodology applied.
2. If the gross square footage exceeds the BGSF/DGSF standards in Appendix B, justify the discrepancy by documenting one of the following:
 - a. Additional space is needed due to the scope of services provided, justified by clinical or operational needs, as supported by published data or studies and certified by the facility's Medical Director.
 - b. The existing facility's physical configuration has constraints or impediments and requires an architectural design that delineates the constraints or impediments.
 - c. The project involves the conversion of existing space that results in excess square footage.
 - d. Additional space is mandated by governmental or certification agency requirements that were not in existence when Appendix B standards were adopted.

Provide a narrative for any discrepancies from the State Standard. A table must be provided in the following format with Attachment 14.

DEPARTMENT/SERVICE	PROPOSED BGSF/DGSF	STATE STANDARD	DIFFERENCE	MET STANDARD?

APPEND DOCUMENTATION AS ATTACHMENT 14, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

PROJECT SERVICES UTILIZATION:

This criterion is applicable only to projects or portions of projects that involve services, functions or equipment for which HFSRB has established utilization standards or occupancy targets in 77 Ill. Adm. Code 1100.

Document that in the second year of operation, the annual utilization of the service or equipment shall meet or exceed the utilization standards specified in 1110. Appendix B. A narrative of the rationale that supports the projections must be provided.

A table must be provided in the following format with Attachment 15.

UTILIZATION					
	DEPT./ SERVICE	HISTORICAL UTILIZATION (PATIENT DAYS) (TREATMENTS) ETC.	PROJECTED UTILIZATION	STATE STANDARD	MET STANDARD?
YEAR 1					
YEAR 2					

APPEND DOCUMENTATION AS ATTACHMENT 15, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION VI. SERVICE SPECIFIC REVIEW CRITERIA

This Section is applicable to all projects proposing the establishment, expansion or modernization of categories of service that are subject to CON review, as provided in the Illinois Health Facilities Planning Act [20 ILCS 3960]. It is comprised of information requirements for each category of service, as well as charts for each service, indicating the review criteria that must be addressed for each action (establishment, expansion, and modernization). After identifying the applicable review criteria for each category of service involved, read the criteria and provide the required information APPLICABLE TO THE CRITERIA THAT MUST BE ADDRESSED:

A. Criterion 1110.200 - Medical/Surgical, Obstetric, Pediatric and Intensive Care

- Applicants proposing to establish, expand and/or modernize the Medical/Surgical, Obstetric, Pediatric and/or Intensive Care categories of service must submit the following information:
- Indicate bed capacity changes by Service: Indicate # of beds changed by action(s):

Category of Service	# Existing Beds	# Proposed Beds
<input checked="" type="checkbox"/> Medical/Surgical	25	25
<input type="checkbox"/> Obstetric		
<input type="checkbox"/> Pediatric		
<input type="checkbox"/> Intensive Care		

- READ the applicable review criteria outlined below and **submit the required documentation for the criteria:**

APPLICABLE REVIEW CRITERIA	Establish	Expand	Modernize
1110.200(b)(1) - Planning Area Need - 77 Ill. Adm. Code 1100 (formula calculation)	X		
1110.200(b)(2) - Planning Area Need - Service to Planning Area Residents	X	X	
1110.200(b)(3) - Planning Area Need - Service Demand - Establishment of Category of Service	X		
1110.200(b)(4) - Planning Area Need - Service Demand - Expansion of Existing Category of Service		X	
1110.200(b)(5) - Planning Area Need - Service Accessibility	X		
1110.200(c)(1) - Unnecessary Duplication of Services	X		
1110.200(c)(2) - Maldistribution	X	X	
1110.200(c)(3) - Impact of Project on Other Area Providers	X		
1110.200(d)(1), (2), and (3) - Deteriorated Facilities			X
1110.200(d)(4) - Maldistribution			X

APPLICABLE REVIEW CRITERIA	Establish	Expand	Modernize
1110.200(e) - Staffing Availability	X	X	
1110.200(f) - Performance Requirements	X	X	X
1110.200(g) - Assurances	X	X	
APPEND DOCUMENTATION AS <u>ATTACHMENT 19</u> , IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.			

M. Criterion 1110.270 - Clinical Service Areas Other than Categories of Service

1. Applicants proposing to establish, expand and/or modernize Clinical Service Areas Other than categories of service must submit the following information:
2. Indicate changes by Service: Indicate # of key room changes by action(s):

Service	# Existing Key Rooms	# Proposed Key Rooms
<input type="checkbox"/>		
<input type="checkbox"/>		
<input type="checkbox"/>		

3. READ the applicable review criteria outlined below and submit the required documentation for the criteria:

Project Type	Required Review Criteria
New Services or Facility or Equipment	(b) – Need Determination – Establishment
Service Modernization	(c)(1) – Deteriorated Facilities
	AND/OR
	(c)(2) – Necessary Expansion
	PLUS
	(c)(3)(A) – Utilization – Major Medical Equipment
	OR
	(c)(3)(B) – Utilization – Service or Facility
APPEND DOCUMENTATION AS <u>ATTACHMENT 31</u> , IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.	

VII. 1120.120 - AVAILABILITY OF FUNDS

The applicant shall document that financial resources shall be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources from the following sources, as applicable [Indicate the dollar amount to be provided from the following sources]:

<p>_____</p>	<p>a) Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to:</p> <ol style="list-style-type: none"> 1) the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and 2) interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion;
<p>_____</p>	<p>b) Pledges – for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated time table of gross receipts and related fundraising expenses, and a discussion of past fundraising experience.</p>
<p><u>\$1,500,000</u></p>	<p>c) Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;</p>
<p><u>\$21,000,000</u></p>	<p>d) Debt – a statement of the estimated terms and conditions (including the debt time period, variable or permanent interest rates over the debt time period, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including:</p> <ol style="list-style-type: none"> 1) For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated; 2) For revenue bonds, proof of the feasibility of securing the specified amount and interest rate; 3) For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc.; 4) For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment; 5) For any option to lease, a copy of the option, including all terms and conditions.
<p>_____</p>	<p>e) Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to</p>

_____	this intent;
_____	f) Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;
_____	g) All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.
\$22,500,000	TOTAL FUNDS AVAILABLE
APPEND DOCUMENTATION AS <u>ATTACHMENT 34</u> , IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.	

SECTION VIII. 1120.130 - FINANCIAL VIABILITY

All the applicants and co-applicants shall be identified, specifying their roles in the project funding or guaranteeing the funding (sole responsibility or shared) and percentage of participation in that funding.

Financial Viability Waiver

The applicant is not required to submit financial viability ratios if:

1. "A" Bond rating or better
2. All of the projects capital expenditures are completely funded through internal sources
3. The applicant's current debt financing or projected debt financing is insured or anticipated to be insured by MBIA (Municipal Bond Insurance Association Inc.) or equivalent
4. The applicant provides a third party surety bond or performance bond letter of credit from an A rated guarantor.

See Section 1120.130 Financial Waiver for information to be provided

APPEND DOCUMENTATION AS ATTACHMENT 35, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. Not Applicable

The applicant or co-applicant that is responsible for funding or guaranteeing funding of the project shall provide viability ratios for the latest three years for which **audited financial statements are available and for the first full fiscal year at target utilization, but no more than two years following project completion.** When the applicant's facility does not have facility specific financial statements and the facility is a member of a health care system that has combined or consolidated financial statements, the system's viability ratios shall be provided. If the health care system includes one or more hospitals, the system's viability ratios shall be evaluated for conformance with the applicable hospital standards.

	Historical 3 Years			Projected
Enter Historical and/or Projected Years:	2015	2016	2017	2021
Current Ratio	2.3	2.4	2.3	3.35
Net Margin Percentage	3.6%	0.2%	0.8%	(2.59%
Percent Debt to Total Capitalization	40.4%	37.8%	35.8%	77.4%
Projected Debt Service Coverage	3.4	1.6	1.9	1.64
Days Cash on Hand	35.2	35	13.4	34
Cushion Ratio	3.29	1.97	.91.	1.73

Provide the methodology and worksheets utilized in determining the ratios detailing the calculation and applicable line item amounts from the financial statements. Complete a separate table for each co-applicant and provide worksheets for each.

Variance

Applicants not in compliance with any of the viability ratios shall document that another organization, public or private, shall assume the legal responsibility to meet the debt obligations should the applicant default.

APPEND DOCUMENTATION AS ATTACHMENT 36, IN NUMERICAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION IX. 1120.140 - ECONOMIC FEASIBILITY

This section is applicable to all projects subject to Part 1120.

A. Reasonableness of Financing Arrangements

The applicant shall document the reasonableness of financing arrangements by submitting a notarized statement signed by an authorized representative that attests to one of the following:

- 1) That the total estimated project costs and related costs will be funded in total with cash and equivalents, including investment securities, unrestricted funds, received pledge receipts and funded depreciation; or
- 2) That the total estimated project costs and related costs will be funded in total or in part by borrowing because:
 - A) A portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order to maintain a current ratio of at least 2.0 times for hospitals and 1.5 times for all other facilities; or
 - B) Borrowing is less costly than the liquidation of existing investments, and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period.

B. Conditions of Debt Financing

This criterion is applicable only to projects that involve debt financing. The applicant shall document that the conditions of debt financing are reasonable by submitting a notarized statement signed by an authorized representative that attests to the following, as applicable:

- 1) That the selected form of debt financing for the project will be at the lowest net cost available;
- 2) That the selected form of debt financing will not be at the lowest net cost available, but is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs and other factors;
- 3) That the project involves (in total or in part) the leasing of equipment or facilities and that the expenses incurred with leasing a facility or equipment are less costly than constructing a new facility or purchasing new equipment.

C. Reasonableness of Project and Related Costs

Read the criterion and provide the following:

1. Identify each department or area impacted by the proposed project and provide a cost and square footage allocation for new construction and/or modernization using the following format (insert after this page).

regarding teaching, research, and any other service.

A table in the following format must be provided as part of Attachment 38.

Safety Net Information per PA 96-0031			
CHARITY CARE			
Charity (# of patients)	Year	Year	Year
Inpatient			
Outpatient			
Total			
Charity (cost in dollars)			
Inpatient			
Outpatient			
Total			
MEDICAID			
Medicaid (# of patients)	Year	Year	Year
Inpatient			
Outpatient			
Total			
Medicaid (revenue)			
Inpatient			
Outpatient			
Total			

APPEND DOCUMENTATION AS ATTACHMENT 38, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION XI. CHARITY CARE INFORMATION

Charity Care information **MUST** be furnished for **ALL** projects [1120.20(c)].

1. All applicants and co-applicants shall indicate the amount of charity care for the latest three **audited** fiscal years, the cost of charity care and the ratio of that charity care cost to net patient revenue.
2. If the applicant owns or operates one or more facilities, the reporting shall be for each individual facility located in Illinois. If charity care costs are reported on a consolidated basis, the applicant shall provide documentation as to the cost of charity care; the ratio of that charity care to the net patient revenue for the consolidated financial statement; the allocation of charity care costs; and the ratio of charity care cost to net patient revenue for the facility under review.
3. If the applicant is not an existing facility, it shall submit the facility's projected patient mix by payer source, anticipated charity care expense and projected ratio of charity care to net patient revenue by the end of its second year of operation.

Charity care" means care provided by a health care facility for which the provider does not expect to receive payment from the patient or a third-party payer (20 ILCS 3960/3). Charity Care **must** be provided at cost.

A table in the following format must be provided for all facilities as part of Attachment 39.

CHARITY CARE			
	Year	Year	Year
Net Patient Revenue			
Amount of Charity Care (charges)			
Cost of Charity Care			

APPEND DOCUMENTATION AS **ATTACHMENT 39**, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

After paginating the entire completed application indicate, in the chart below, the page numbers for the included attachments:

INDEX OF ATTACHMENTS		
ATTACHMENT NO.		PAGES
1	Applicant Identification including Certificate of Good Standing	30
2	Site Ownership	31-32
3	Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.	N/A
4	Organizational Relationships (Organizational Chart) Certificate of Good Standing Etc.	33-34
5	Flood Plain Requirements	35-36
6	Historic Preservation Act Requirements	37-44
7	Project and Sources of Funds Itemization	45-47
8	Financial Commitment Document if required	N/A
9	Cost Space Requirements	48
10	Discontinuation	N/A
11	Background of the Applicant	49*51
12	Purpose of the Project	52
13	Alternatives to the Project	52b
14	Size of the Project	53-55
15	Project Service Utilization	56-59
16	Unfinished or Shell Space	N/A
17	Assurances for Unfinished/Shell Space	N/A
18	Master Design Project	N/A
	Service Specific:	
19	Medical Surgical Pediatrics, Obstetrics, ICU	60-61
20	Comprehensive Physical Rehabilitation	N/A
21	Acute Mental Illness	N/A
22	Open Heart Surgery	N/A
23	Cardiac Catheterization	N/A
24	In-Center Hemodialysis	N/A
25	Non-Hospital Based Ambulatory Surgery	N/A
26	Selected Organ Transplantation	N/A
27	Kidney Transplantation	N/A
28	Subacute Care Hospital Model	N/A
29	Community-Based Residential Rehabilitation Center	N/A
30	Long Term Acute Care Hospital	N/A
31	Clinical Service Areas Other than Categories of Service	62-67
32	Freestanding Emergency Center Medical Services	N/A
33	Birth Center	N/A
	Financial and Economic Feasibility:	
34	Availability of Funds	23-23
35	Financial Waiver	
36	Financial Viability	68-71 = 24
37	Economic Feasibility	72-74
38	Safety Net Impact Statement	75
39	Charity Care Information	76-78
	Support Letter	79
	Audited Financials	80-157
	Drawings	158-168

LAW OFFICES
LUDENS & POTTER
SINCE 1868

THOMAS J. POTTER

600 W. LINCOLNWAY
POST OFFICE BOX 360
MORRISON, ILLINOIS 61270-0360
TELEPHONE (815) 772-2161
FACSIMILE (815) 772-7440

FRANK D. RAMSAY (1868-1897)
SAMUEL McCALMONT (1895-1937)
LUTHER R. RAMSAY (1899-1939)
WILLIAM D. LITTLE (1929-1935)
MASON BULL (1935-1983)
LAWRENCE A. LUDENS (1946-1990)
ROBERT H. POTTER (1946-2005)
WILLIAM A. BURCH (1975-2007)

September 12, 2018

Morrison Community Hospital
ATTN: Ms. Pamela Pfister
303 N. Jackson Street
Morrison, IL 61270

Re: Organization/Ownership of
Morrison Community Hospital

Dear Pam:

Morrison Community Hospital District is a unit of local government established by referendum and confirmed by order of court entered June 27, 1952, pursuant to what is now called Illinois Hospital District Law. (70 ILCS 910/1 *et seq.*) The District is the owner and the operator of the hospital facility, and there are no individuals or public or private corporations which have any ownership or operational interest in the hospital facility. There is no such thing as a certificate of good standing to be issued or attached, but a copy of the Secretary of State's Certificate of Incorporation is attached, which recognizes the establishment of the District, by referendum.

Very truly yours,

LUDENS & POTTER

By:



TJP/cas

STATE OF ILLINOIS)
 : ss.
WHITESIDE COUNTY)

I, LEE E. WHISTLER, Recorder of Deeds in and for said County, in the State aforesaid, and keeper of the records and seal thereof, DO HEREBY CERTIFY that the above and foregoing is a true

and correct copy of a certain Cert. of Incorporation

FROM State of Illinois

TO Morrison Community Healthcare District

which was filed for record on the 2nd day of July A.D. 1953,

as the same appears of Record in my said office in Book 400 of Records, at Page 441.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the seal of my said office at Morrison, in said County, this 15th day of May A.D. 1953.

Lee E. Whistler
Recorder

By Dillon A. McKee
Deputy

210081

STATE OF ILLINOIS

OFFICE OF THE SECRETARY OF STATE



To all to whom these Presents Shall Come, Greeting:

Whereas, there has been filed in the Office of the Secretary of State, on the 24th day of July, A.D., 1952, under and in accordance with the provisions of "An Act providing for the creation and operation of Hospital Districts"

approved July 15, 1949, in force July 15, 1949, a copy of the Order of Walter J. Stevens, County Judge of Whiteside County, Illinois, finding the results of the election in a certain proceeding for the organization of the Morrison Community Hospital District, and

Whereas, said Order was entered and is dated the 28th day of June, A.D., 1952, and is certified to be a true and correct copy by the County Clerk of Whiteside County, Illinois, and

Whereas, it is found by said Order that those voting in favor of the establishment of the Morrison Community Hospital District were 778 and those voting in the negative, and against, such proposition, were 304 and that the affirmative of said proposition received a majority of 474 and said Order determines the said Morrison Community Hospital District to be established.

Now Therefore, I, EDWARD J. BARRETT, Secretary of State of the State of Illinois, by virtue of the power and authority vested in me by law, do hereby issue this Certificate of Incorporation to said Morrison Community Hospital District.

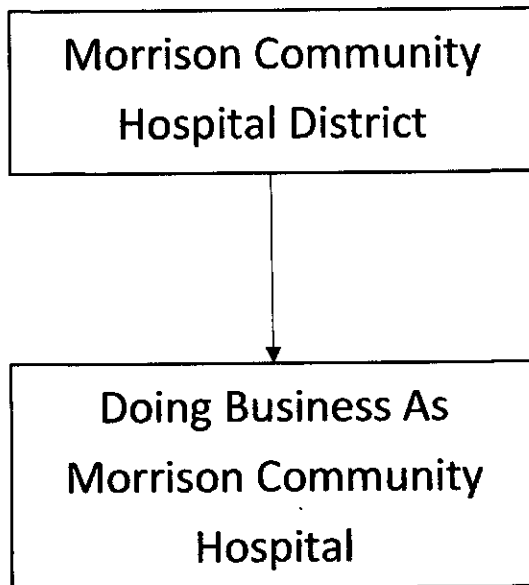


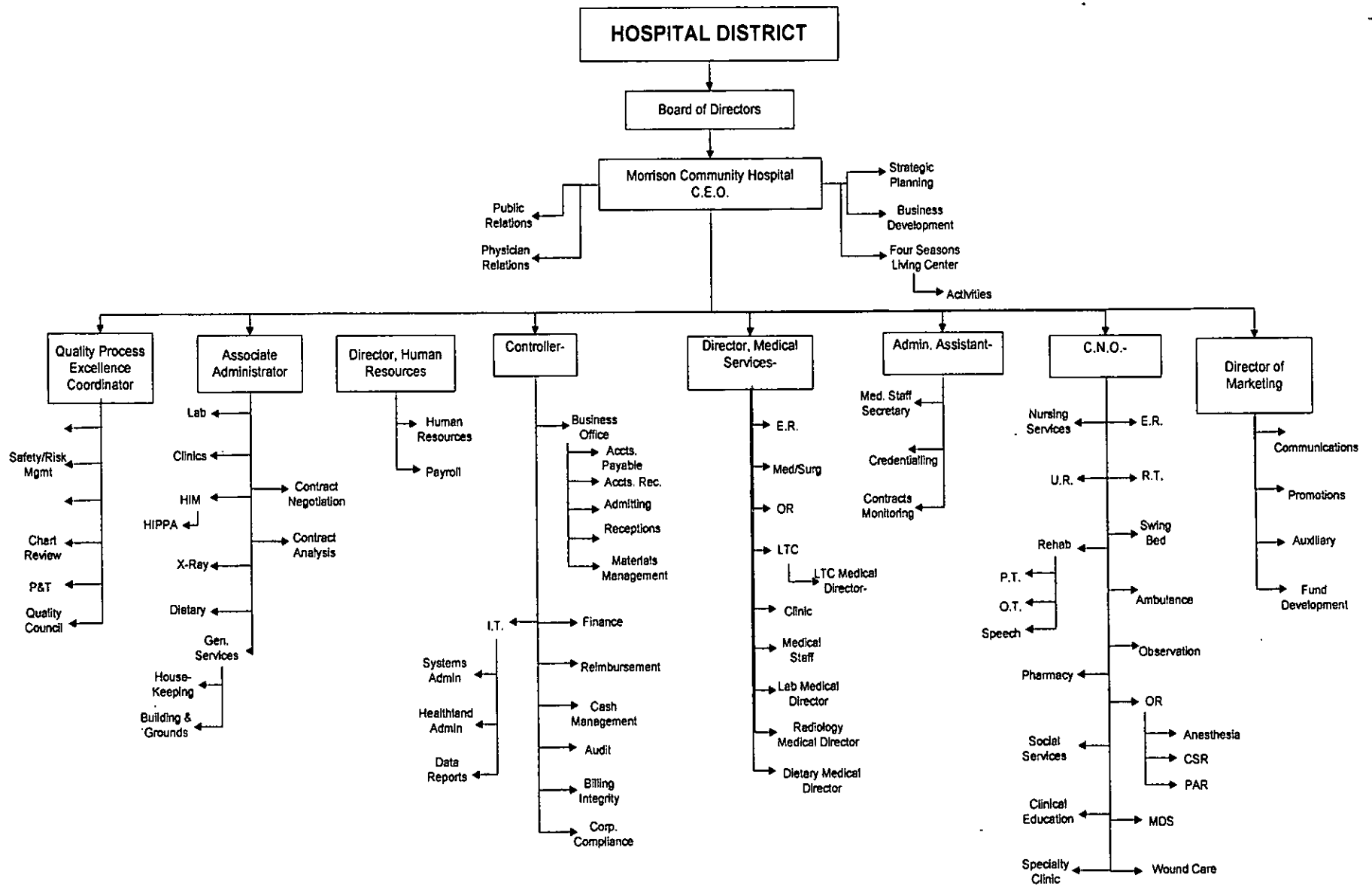
In Testimony Whereof, I hereto set my hand and the Great Seal of the State of Illinois. Done at the Capitol in the City of Springfield this the twenty-fourth day of July, A.D. nineteen hundred and fifty-two, and of the Independence of the United States the one hundred and seventy-seventh.

Edward J. Barrett
SECRETARY OF STATE

Organizational Relationships – Organizational Chart

The following organizational chart shows the corporate organization of Applicant.

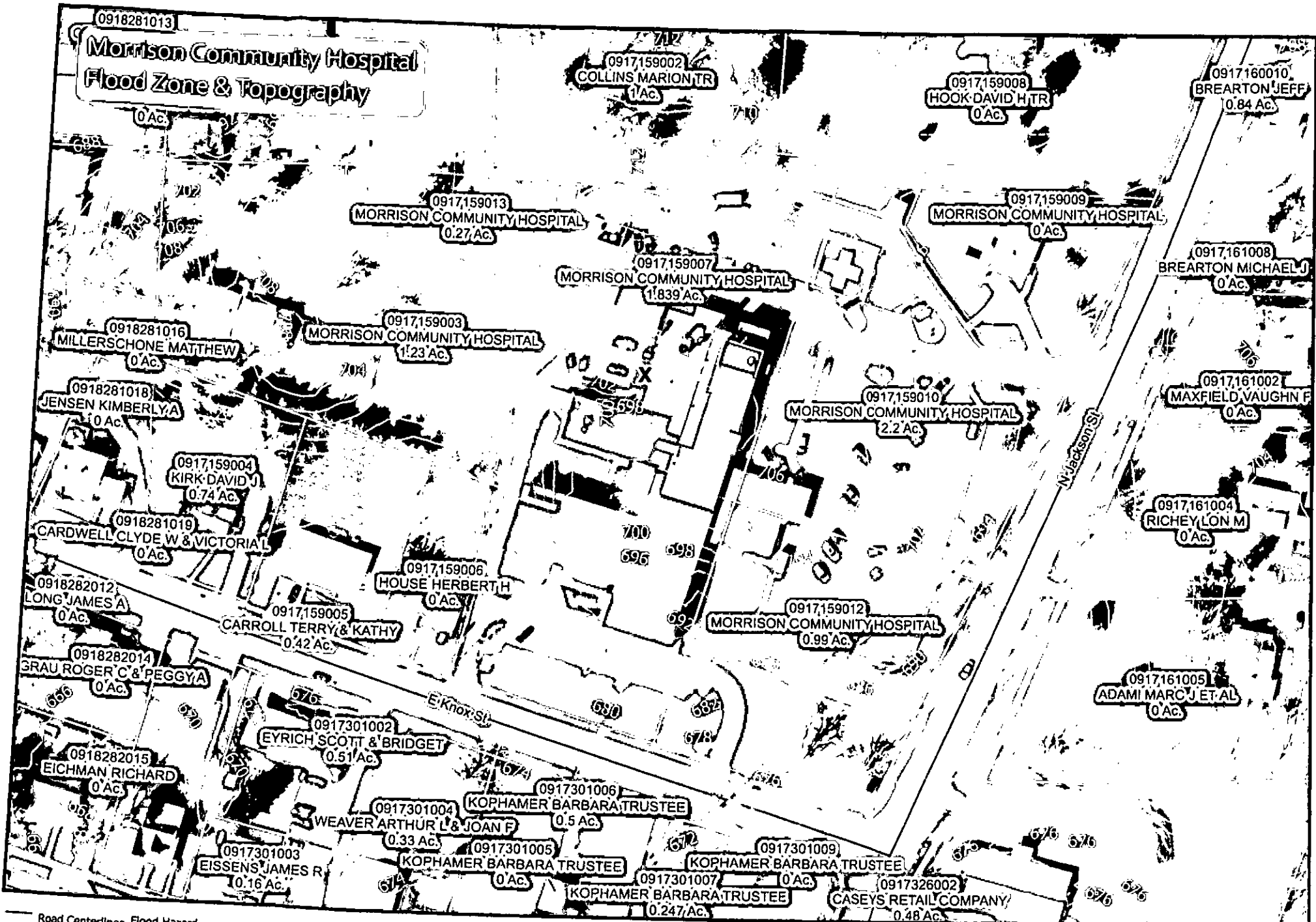




Flood Plain Conformance

Attached to this Document is a map from the Whiteside County GIS which shows that the proposed facility site is not within a flood plain and is therefore in compliance with the requirements of Illinois Executive Order # 2006-5.

Attachment # 5



— Road Centerlines
 — Flood Hazard
 — City Limits
 — Tax Parcels
 0.2 PCT ANN CH FLD HAZ
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AE
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 X PROTECTED BY LEVEE

These maps have been drawn for assessment purposes only. No liability is assumed by Whiteside County for their use by any person(s) for any purpose(s) other than assessment purposes.

Lauren Lee - GIS Office - 8/8/2018



Whiteside County GIS
 Feet
 0 20 40 80 120 160

Copelin Healthcare Consulting
42 Birch Lake Drive
Sherman, Illinois 62684

Cell: 217-725-4558
Phone: 217-496-3712
Fax: 217-496-3097

August 8, 2018

Rachel Leibowitz, Ph.D.
Deputy State Preservation Officer
Illinois Historic Preservation Agency
1 Old State Capital Plaza
Springfield, Illinois 62701-1512

Re: Clearance Letter for Certificate of Need Application

Dear Ms. Leibowitz:

I am writing to request a review of our proposed site by your agency pursuant to the Illinois State Agency Historic Resources Preservation Act (20 ILCS 3420) in order for our project to be considered by the Illinois Health Facilities and Services Review Board for a Certificate of Need.

We are proposing to construct two additions to the existing hospital building for Morrison Community Hospital, in Morrison Illinois. The proposed project calls for the construction of a one story addition with a partial basement connected to the north end of the existing hospital and a 2-story addition with a basement connected to the south end of the hospital which is located at 303 N Jackson Street in Morrison, Illinois

We have attached a site plan for the existing facility and the proposed addition. In addition we have provided an aerial view of the existing site and pictures of the building currently located on the site. No existing buildings will be demolished as a part of this project.

If you have any questions regarding this submission, please call me at 217-725-4558. Also if possible, I would appreciate it if you could e-mail your response, to this letter to me at Micbball@aol.com.

Sincerely,



Michael I. Copelin
President, Copelin Healthcare Consulting



Farnsworth
GROUP
3035 COLUMBIA AVE., SUITE 201
NORWALK, CT 06851
203.444.4141 / farnsworth.com

Project: 1 Addition / Renovation / Upgrade
1. DATE: 05/20/2018
2. DATE: 05/20/2018

39

CON

Madison Community Hospital

Additions and
Renovations

303 N. Jackson Street, Hartford,
Connecticut

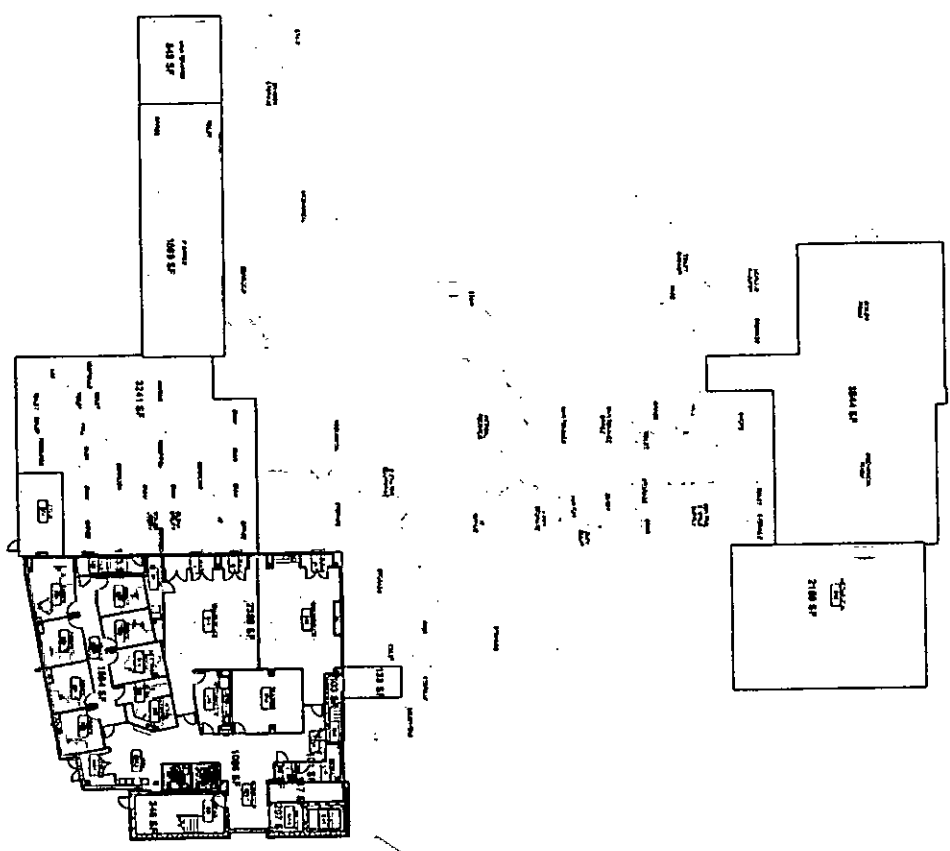
DATE: 05/20/2018
DESIGNED BY: BALKINER
DRAWN BY: BALKINER
REVIEWED BY: MCKINLEY

OVERALL LOWER
LEVEL FLOOR PLAN -
DEPARTMENT AREAS

G2.0

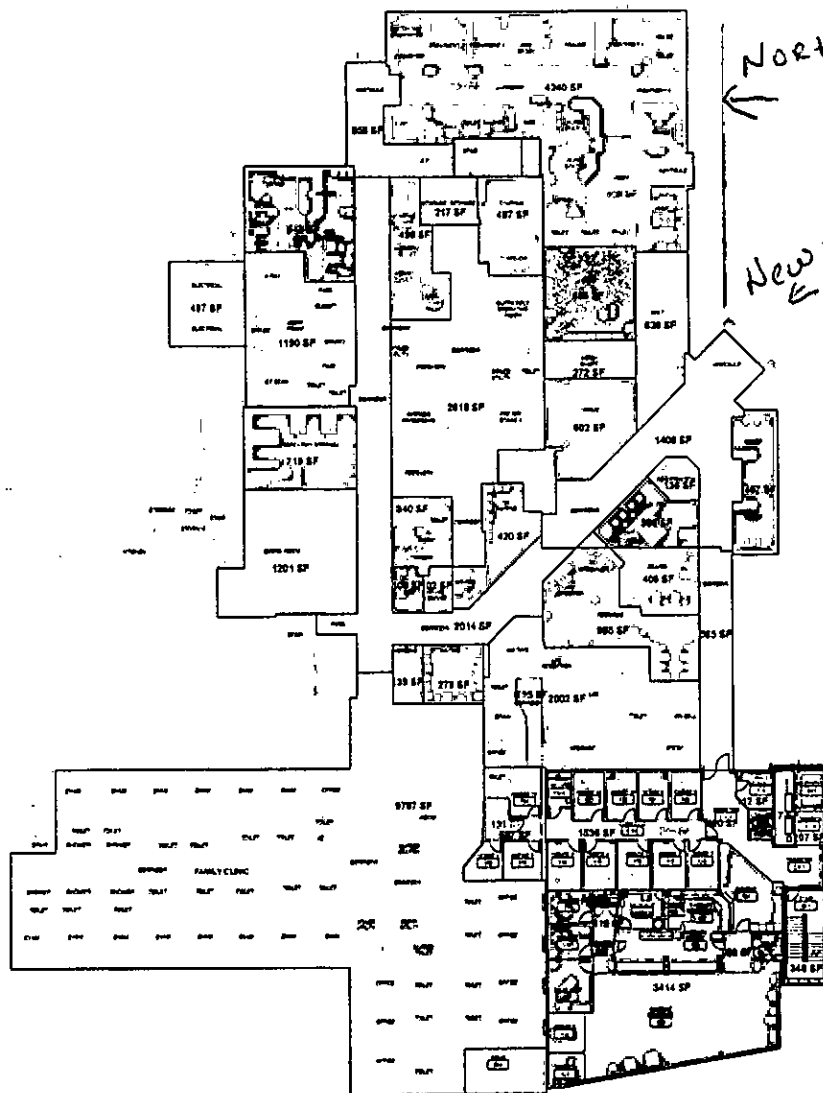
PROJECT NO.: 017038.00

1 OVERALL LOWER LEVEL FLOOR PLAN - DEPARTMENT AREAS
Scale: 1/8" = 1'-0"



- Department Areas
- Exam
- Waiting
- Treatment
- Consultation - New
- Consultation - Renovation
- Conference
- Mechanical
- Service
- Specialty Clinic
- Storage
- Toilets

07



DEPARTMENT AREAS

- | | | |
|--|---|---|
| <input type="checkbox"/> BILLING AND RECORDS - NEW | <input type="checkbox"/> EMERGENCY DEPARTMENT | <input type="checkbox"/> OR - RENOVATED |
| <input type="checkbox"/> BILLING AND RECORDS - RENOVATED | <input type="checkbox"/> IMAGING - EXISTING | <input type="checkbox"/> REGISTRATION |
| <input type="checkbox"/> CIRCULATION - NEW | <input type="checkbox"/> IMAGING - RENOVATED | <input type="checkbox"/> RENAL PT |
| <input type="checkbox"/> CIRCULATION - RENOVATED | <input type="checkbox"/> LAB | <input type="checkbox"/> SERVICE |
| <input type="checkbox"/> CLINIC - EXISTING | <input type="checkbox"/> MECHANICAL | <input type="checkbox"/> STORAGE |
| <input type="checkbox"/> CLINIC - NEW | <input type="checkbox"/> OFFICE | <input type="checkbox"/> TOILETS |
| <input type="checkbox"/> CLINIC - RENOVATED | <input type="checkbox"/> OR - EXISTING | <input type="checkbox"/> WAITING |
| <input type="checkbox"/> DRUGS | <input type="checkbox"/> OR - NEW | |



Farnsworth GROUP

700 W. COLLEGE AVENUE, SUITE 301
NORWALK, IL 60455-4771
(815) 663-8436 / info@fg.com

www.fg.com
Engineers | Architects | Surveyors | Scientists

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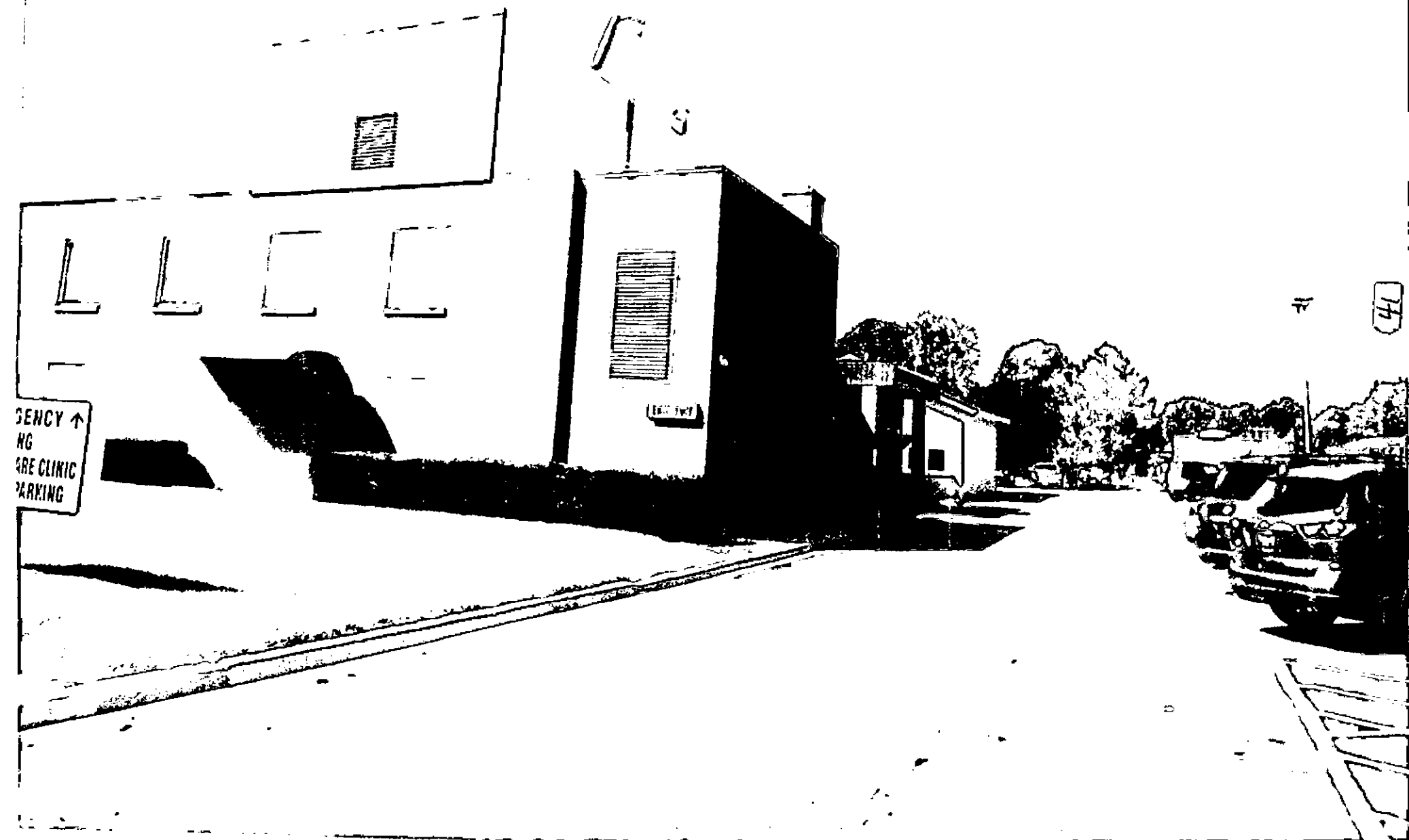
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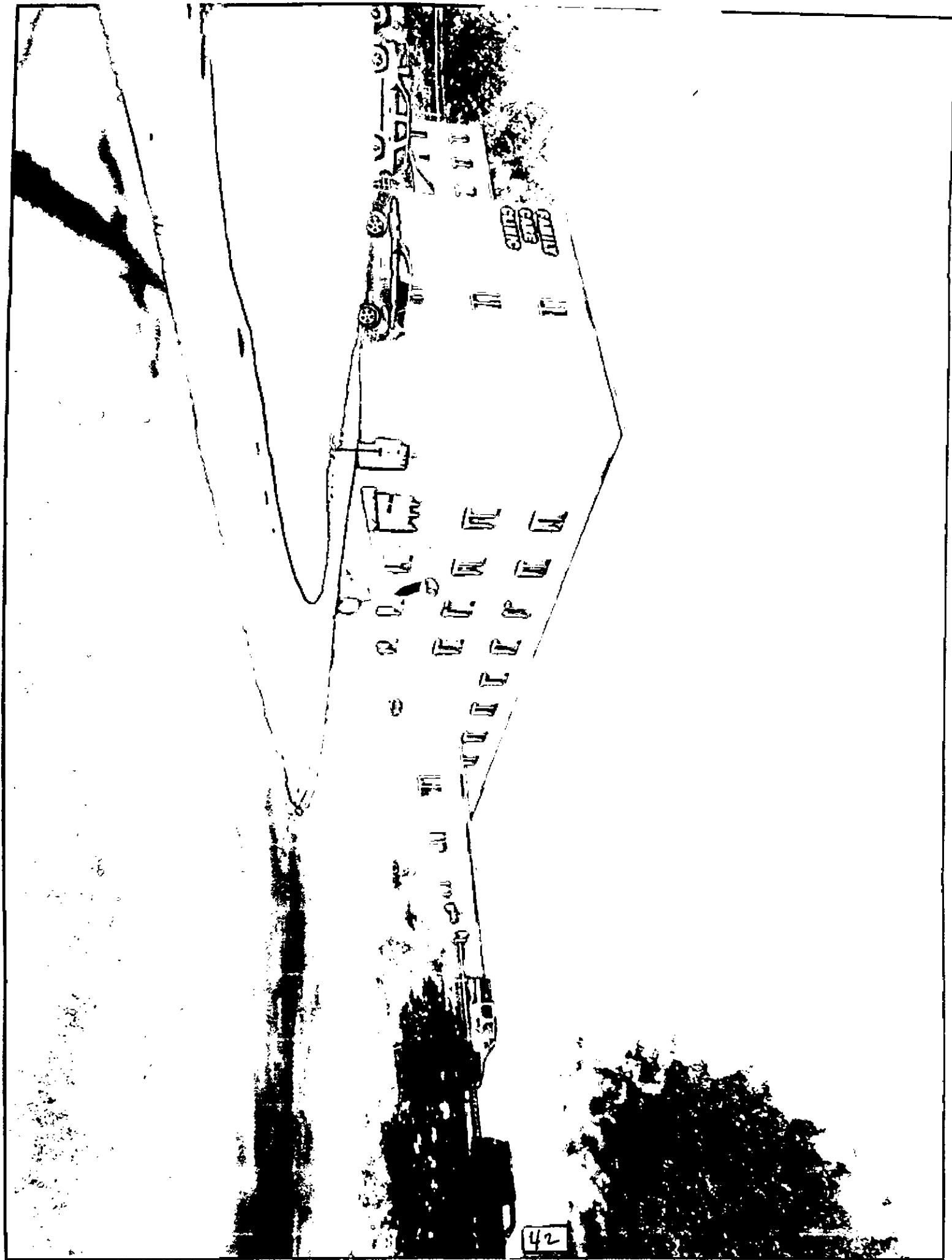
OVERALL FIRST FLOOR PLAN - DEPARTMENT AREAS

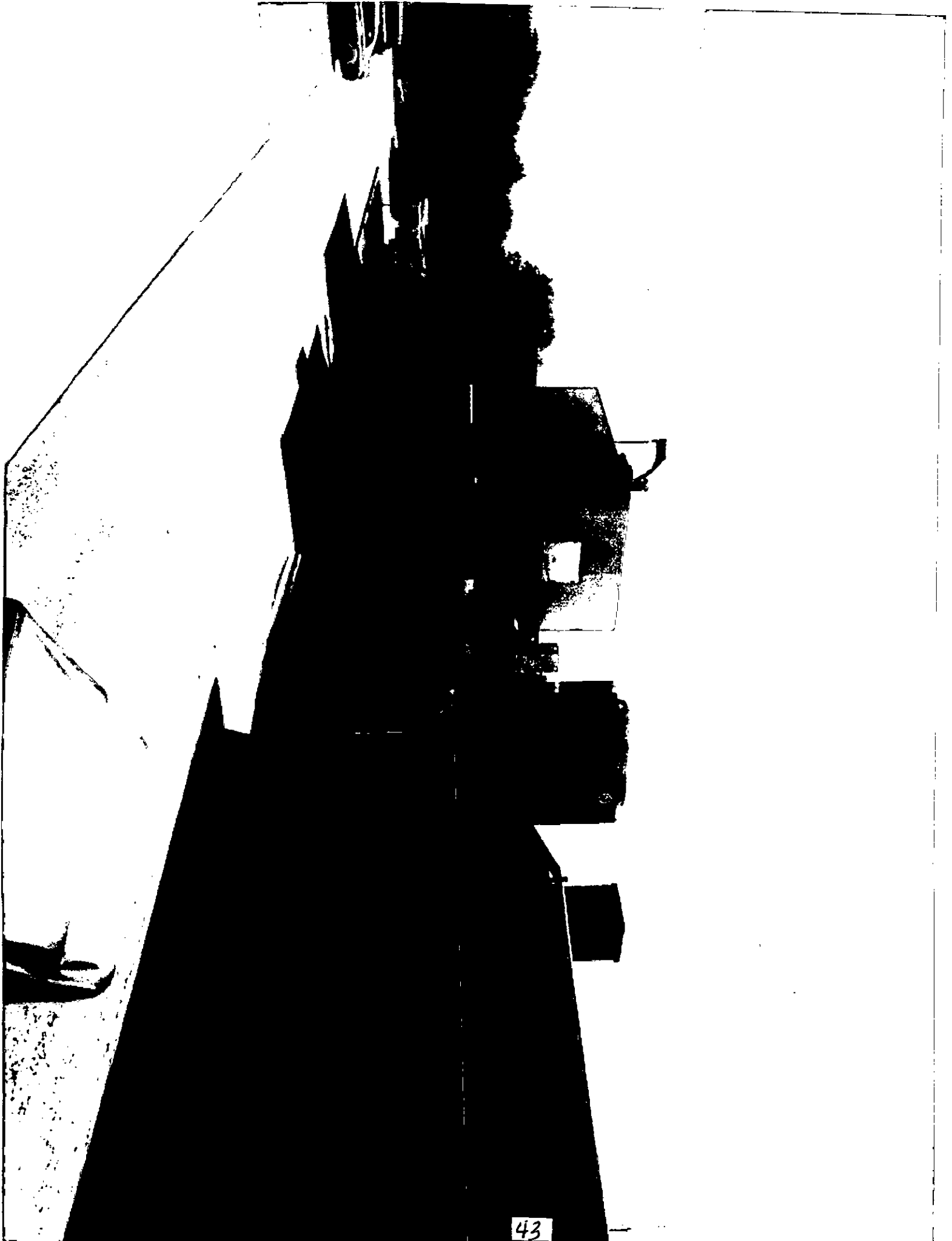
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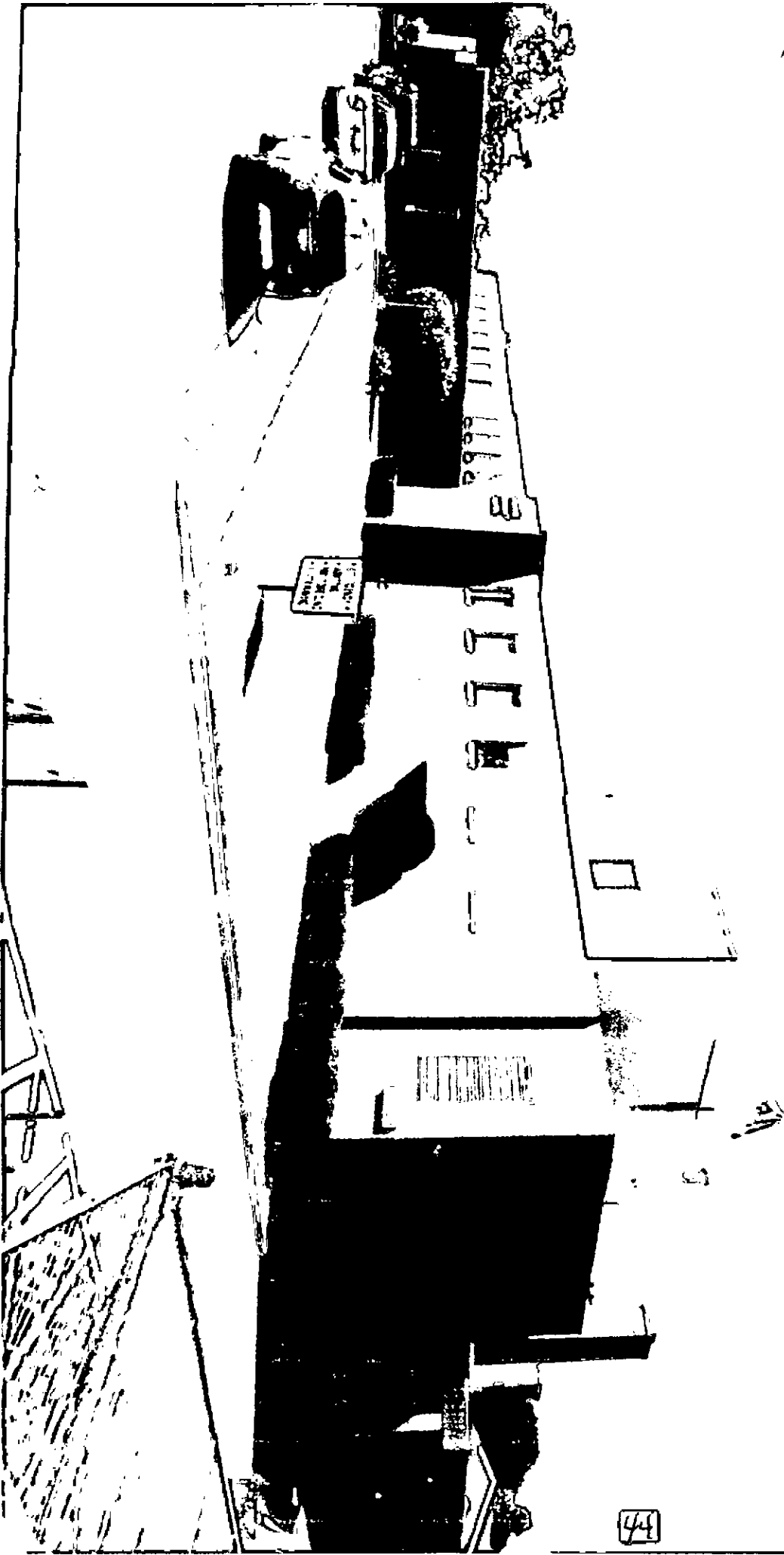
G2.1

PROJECT NO.: 0170030-00









Project Costs and Sources of Funds

A. Preplanning Costs

Development of Master Plan for the hospital -- completed under one group contract

B. Site Survey and Soil Investigation – Survey of existing site and of the proposed construction Sites

C. Site Preparation – Grading of the proposed construction sites, construction of parking lots, preparing site for connection to utilities and medical gases

D. New Construction – Self Explanatory

E. Modernization -- reallocation of existing space among the components of the proposed project and modernizing the space for use.

F. Contingencies -- 10% of new construction contracts and 15% of modernization contracts

G. A&E fees -- Cost of development of proposed architectural Plans and plans for the engineering of the new and modernized space to meet licensure requirements

H. Consulting and Other Fees -- Infrastructure and energy analysis.

I. Moveable and other equipment not in construction contracts;

Office and waiting chairs \$15,000

Break Room Tables \$3,000

5'X6' work stations \$6,000

Lockers \$2,500

Kitchen Appliances \$1,500

Window Treatments \$32,500

ATTACHMENT 7

Bank Counsel	\$30,000
Hospital Counsel	\$30,000
Bank Origination	\$90,000
Financing/Perm Loan fees/USDA Fees	\$456,000
Third Party Reports	\$60,000
Miscellaneous Fees	\$77,014
Total	\$843,014

ATTACHMENT 7

Cost Space Requirements

9/14/2018		Gross Square Feet BGSF		Amount of Proposed Total Gross Square Feet That Is:			
Dept. / Area	Cost	Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
REVIEWABLE							
Emergency (3)	\$2,162,400	795	4,240	4,240	0	0	0
Surgery	\$1,245,020	3,787	5,519	663	2,021	2,835	
Diagnostic Radiology (3)	\$228,960	1,291	2,038	0	848	1,190	
Laboratory (2,5,6)	\$740,740	1,146	2,002	0	2,002	0	
Med/Surg Nursing Unit	\$3,017,695	10,953	14,468	3,515	2,121	8,832	0
Cardio/PT (1)	\$1,399,740	2,148	3,414	3,414	0	0	0
Family Clinic	\$738,110	10,384	11,920	1,536	587	9,797	0
Outpatient Clinic	\$0	3,243	3,243	0	0	3,243	0
Total Clinical	\$9,532,665	33,747	46,844	13,368	7,579	25,897	
NON REVIEWABLE							
Administration (5)	\$653,540	765	1,594	1,594	0	0	
Registration	\$51,952	138	136	136	0	0	138
Billing (6)	\$267,880	772	792	386	406	0	
Medical Records	\$238,950	668	885	0	885		
Cafeteria	\$324,270	774	1,201	0	1,201	0	
Public Waiting Areas	\$256,660	809	626	626	0	0	
Conference	\$979,080	376	2,388	2,388	0	0	376
Support Areas (1)	\$1,202,958	465	3,874	1,377	2,497	0	
Storage (2)	\$179,750	0	719	0	719	0	
Mechanical	\$1,872,470	3,844	8,411	4,567	0	3,844	0
Stairs/Elevators	\$1,298,797	100	2,952	2,952	0	0	100
Electrical	\$203,697	0	497	497	0	0	0
Corridors (4)	\$2,420,280	2,674	6,228	3,510	2,718	0	
Site Improvement	\$2,400,000					0	0
Canopies	\$617,050						0
Total Non-clinical	\$12,967,335	11,385	30,303	18,033	8,426	3,844	
TOTAL	\$22,500,000	45,132	77,147	31,401	16,005	29,741	-614

- (1) Former Cardio/PT space becomes Maintenance and IT space
- (2) Most of Former Lab becomes Storage
- (3) Former Emergency area becomes Diagnostic Radiology space
- (4) Former Waiting space becomes Corridor
- (5) Former Administration becomes Lab space
- (6) Former Billing becomes Lab space

ATTACHMENT #9

Background of the Applicant

The applicant owns and operates no other health care facilities other than Morison Community Hospital.

There has been no adverse action taken by licensure, Medicaid, or Medicare in relation to the applicant facility in the last three years.

The facility is not JCAHO.

The applicant is a governmentally owned District Hospital which was designated as a Critical Access Hospital in August of 2003, and has maintained that designation since that time..

A notarized letter granting the Planning Board and its staff access to all licensure and Medicare/Medicaid records is appended to this attachment,



MORRISON COMMUNITY HOSPITAL
303 North Jackson Street • Morrison, Illinois 61270-3042
Phone: 815-772-4003 • Fax: 815-772-5599

Background of the Applicant

In connection with Applicant's application for a Certificate of Need, Applicant provides the following information regarding its background.

1. Applicant neither owns nor operates any other health care facility.
2. In accordance with 77 Ill. Admin Code §1110.230, I certify that neither Medicare, Medicaid, nor any State or Federal regulatory authority has taken any adverse action against Applicant or any health care facility it owns or operates, during the 3 years before the filing of this Certificate of Need application; and
3. In accordance with 77 Ill. Admin. Code §1110.230, I authorize the Illinois Health Facilities and Services Review Board and the Illinois Department of Public Health to access information in order to verify any documentation or information Applicant submits in response to the requirements of Section 1110.230 or to obtain any documentation or information related to this Certificate of Need application.

Pam J. Pfister, CEO
Morrison Community Hospital

Subscribed and sworn to before me this 7th day of September, 2018



ATTACHMENT #11

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**Illinois Department of
PUBLIC HEALTH**

HF115842

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

The person, firm or corporation whose name appears on this certificate has complied with the provisions of the Illinois statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below.

Nirav D. Shah, M.D., J.D.
Director

Issued under the authority of
the Illinois Department of
Public Health

EXPIRATION DATE	CATEGORY	I.D. NUMBER
6/30/2019		0001636
Critical Access Hospital		
Effective: 07/01/2018		

Morrison Community Hospital
303 North Jackson Street
Morrison, IL 61270

PURPOSE OF PROJECT

The applicant is a twenty-five bed Critical Access Hospital which does not own or operate any other healthcare facilities. The applicant is located in Planning Area B-3 in HAS 1 in Whiteside County,

The purpose of the proposed project is to modernize the existing hospital in order to provide a more up-to-date facility with enough space to meet the needs of the planning area population while improving access to modern care. This modernization will allow the applicant to recruit more healthcare professionals to an area which has a shortage of healthcare personnel. The area is short of doctors, nurses and many other health care professionals

The proposed project will allow for the replacement of an Emergency Department which is much too small to meet even the basic needs of the residents of the planning area. It will also allow the hospital to modernize the Surgery Department in order to have one new operating room to allow for orthopedic procedures as well as other procedures which require specialized equipment and personnel in the operating room.

The proposed project also allows the applicant to increase the size of other ancillary services such as Laboratory, Diagnostic Imaging, Cardio/PT Rehabilitation, and the family clinic area.

The applicant will also construct a new entrance to the hospital which will improve patient accessibility; streamline the registration process; and control entrance to the hospital for security purposes

The proposed project is also needed to enable the support spaces for the hospital such as cafeteria, storage, Administration, etc. to expand to better serve the hospital's patients both inpatients and outpatients in a more efficient manner.

The applicant proposes to modernize 8 of the hospital's 25 medical surgical beds in order to provide larger rooms with private showers to accommodate larger patients and more equipment in the rooms. This expansion will also allow the applicant to replace the existing nurses station and provide more support services within the patient care area.

The infrastructure for the hospital also needs to be upgraded and the proposed project is designed to provide additional mechanical, HVAC, and electrical space to accommodate these upgrades.

In summary the purpose of the proposed project is to provide a better environment and modern patient care to the hospital's patients in the most economically efficient manner possible.

ALTERNATIVES

The applicant considered three alternatives the first was to do nothing and leave the facility as is; the second was to replace the hospital completely with a new facility; and the third was to modernize the facility.

The first alternative was reject very quickly due to the fact that the hospital has several problems which could not be addressed within the existing walls of the hospital. For example the existing ER is much too small to meet even the basic needs of a modern hospital and has HIPPA problems due to its lack of privacy. Larger rooms are also needed for the Medical Surgical unit, the existing design was developed many years ago and has not been changed to accommodate all of the new equipment currently used to provide optimal patient care. Many of the other departments of the hospital are also undersized and need to be expanded for optimal patient care.

The second alternative of constructing a new facility to replace the existing hospital was also quickly rejected due to cost factors. This alternative would more than double (\$51,718,000) the price of the proposed project (\$22,500,000) which is well above the cost the applicant could afford. The space which would result from this alternative would be approximately the same as the proposed project with no appreciable increase in quality or care to the patients.

The third alternative was examined in depth and after several months of evaluation was determined to be the best alternative available. Several different designs and configurations of the project were discussed and evaluated, with the proposed project ultimately being determined to be the best alternative to meet the hospital's needs while also being the most cost effective alternative available.. This alternative quickly addresses the need for expansion while improving quality and privacy for the patients.

SIZE OF PROJECT

SIZE OF PROJECT				
DEPARTMENT/SERVICE	PROPOSED BGSF/DGSF	STATE STANDARD	DIFFERENCE	MET STANDARD?
Emergency	4,240	4,500	-260	yes
Surgery	5,519	5,500	+19	No
Diagnostic Radiology	2,038	2,600	-562	Yes
Laboratory	2,002	NA	NA	NA
Medical/Surgical Beds	14,468	12,500-16,500 GSF	-2032	Yes
Cardio/PT rehab	3,414	NA	NA	NA
Family Clinic	11,920	NA	NA	NA
Outpatient Clinic	3,243	NA	NA	NA

A. Emergency

The applicant is proposing to establish a five room Emergency Department to replace the existing 3 station ED in a total of 4,240 GSF which is below the State Standard. The applicant's current ED has only 795 GSF and does not have private rooms which severely limits the applicant's ability to insure privacy and meet HIPAA rules. The proposed ED will have 3 general purpose rooms, one room large enough to accommodate Trauma patients and one room which will be used for Isolation patients and for Mental Health Patients. The proposed rooms will all be private rooms which will insure patient privacy.

B. Surgery

The applicant is proposing to construct space to house 1 larger OR while maintaining one existing OR. The other existing small OR will be converted for use as support space for the department. The new OR will allow the applicant to treat orthopedic cases or other cases requiring more equipment than the existing room can accommodate. Due to the constraints of the existing Surgical Department the proposed department will exceed the State Standard by a total of 19 GSF. It is very important that the second room be constructed to insure patient safety and to eliminate the need to by-pass the hospital due to a lack of space to handle more complex cases.

C. Diagnostic Radiology/ Imaging

The Diagnostic Imaging Department has one general X-ray unit and one CT scanner. The proposed addition to the department will provide additional support, waiting space

and space for a stress testing room. The square footage proposed for this department is 562 GSF less than allowed under the State Standard. The two units which the applicant currently utilizes are standard state of the art units which are needed to support the patient care needs. Therefore the proposed square footage is reasonable.

D. Laboratory

The applicant is proposing to convert 2,002 GSF of existing space, currently used for Administration and Billing. The laboratory will serve both the inpatient and outpatient departments of the hospital as well as the family and specialty clinics provided at the hospital.

The Board does not have standards for the size of a hospital laboratory. However, given the volumes of the outpatient departments as well as the needs of Surgery, Emergency, the other inpatient areas of the hospital, the proposed project is reasonably sized to meet the needs of the hospital's patients

E. Medical Surgical Beds

The applicant is designated as a Critical Access hospital with a total of 25 Medical/Surgical beds which are also used as swing beds to serve skilled care patients. The proposed project calls for the construction of new space, immediately adjacent to the existing unit, to house 8 of the 25 beds. This new construction will allow for the modernization of the nurses station and support space for the other 17 beds, while allowing the applicant to develop larger rooms with more privacy to better serve the acute care needs of the facility's patients.

The State standard calls for 500-660 GSF per bed and the applicant's proposal calls for 578.7 GSF/bed which is well within the range.

F. Cardio/PT Rehabilitation

There is no State Standard for this department so the applicant determined the square footage by examining the requirements of each of the rehabilitation sections of the department and by looking at other rehabilitation programs in the area. The applicant also relied on the expertise of the architects and space consultants who helped them design the proposed unit.

Given the projected utilization of the department the proposed space is needed to serve the needs of the patient population of the hospital, and the surrounding area.

G. Family Clinic

There is no State Standard for this department and the only change in the unit is the construction of 1,536 GSF of space which will be utilized to house offices for the physicians who will staff the clinic. Many of these physicians come to the facility one to two days per week to provide specialty services to the hospital patients from the surrounding area. When these physicians are in the facility they require office space in addition to the treatment and exam rooms already provided by the hospital in the clinic space.

In addition to the specialty physicians the hospital also employs physicians on a full time basis to serve the general needs of the planning area residents. These physicians also need office space for their use.

The remainder of the Family Clinic will remain as is except for a small modernization where the new construction attaches to the existing hospital.

H. Outpatient Clinic

This square footage was previously utilized as clinic space but was temporarily utilized for support space. With the new project it is now being returned to its original function at no cost.

There is no State Standard for this space.

PROJECT SERVICES UTILIZATION

DEPT./SERVICE	HISTORICAL UTILIZATION (PATIENT DAYS) (TREATMENTS) ETC.	PROJECTED UTILIZATION	STATE STANDARD	MEET STANDARD ?
Emergency	2,255 Visits	2,853 visits	2,000 Visits/Station	No
Surgery	1,880 hours	2,701 Hours	1,500 hours per room	Yes
Diagnostic Radiology	CT 829 General X-ray 2,409	CT 1,078 X-ray 3,132	7,000 visits 8,000 visits	Yes*
Medical/Surgical Beds	2,979 days (33%)	3,499 days (38%)	5,475 Days (60%)	No

- The applicant has only one CT and one General X-ray, both of which are needed in any modern hospital. The State Agency practice of rounding numbers up indicates that both of these units are necessary

Emergency

The applicant is proposing to have 5 ED stations; three for general patients, one for Trauma patients, and one for Isolation and Mental Health patients.

The applicant believes that all five of these stations are needed in order to meet the needs of the planning area. The existing ED is very small at only 795 GSF which is less than the State Standard suggests for a single station and it does not have individual rooms, but rather curtained off stations immediately adjacent to one another. It is believed that many times the ambulances make a decision to bypass the applicant facility to take the patient to a more modern facility which can better meet the patients' needs. The new facility will allow all types of patients to be treated and triaged at the hospital. Which, will increase the applicant's workload while providing more expedited treatment to the patients.

The outpatient clinic has helped to serve the facilities patients from 8 AM to 8 PM, however, with the shortage of health manpower in this area, the applicant will be reducing those hours from 8aAm to 6 PM, which will also increase the workload in the ED.

The need for larger rooms is driven by the amount of additional equipment which is needed to treat more complex cases. These cases include trauma, or cardiac patients.

The need for an isolation room is based upon the need to isolated infectious disease patients as well as Mental Health cases. Since the applicant does not have Mental Illness Beds, these patients must be kept at the hospital until they can be evaluated and transferred to other

facilities. This can take a considerable amount of time. These patients need to be held in a secure area with as few distractions as possible.

The peaks and valleys for ED require that stations be available on very short notice and it happens that the three stations currently in place are often full and patients must be moved out in order to accommodate additional patients.

The five rooms proposed are needed in order for the applicant to operate a modern ED which can handle the variety of patients seen at the hospital.

Medical/Surgical Beds

The hospital district was established by referendum and confirmed by order of the court on June 27, 1952 and designated a critical access hospital in August of 2003. The hospital currently has 25 Medical/ Surgical Beds which accommodate both acute care patients and swing-bed patients needing skilled Nursing Services. The 25 bed figure is the size routinely recognized by Medicare and Medicaid as appropriate for a critical access hospital. While fewer beds are allowed additional beds are not. In either case the 25 bed size is appropriate.

The applicant's occupancy level does not meet the State Standard for a 25 bed Medical/Surgical unit. The nature of a Critical Access Hospital is different from the average general hospital in that it must accommodate a wide variety of patients on a very short term basis while also serving patients in need of skilled nursing care with a somewhat longer length of stay. The skilled nursing patients cared for in a critical access hospital are generally sicker than the skilled nursing patient in a Long-Term skilled nursing facility. This is primarily a result of patients being discharged from the hospital itself into the skilled nursing beds at an earlier date than one would see at a hospital which discharges patients to a freestanding nursing home.

The proposed 25 bed unit is the optimal size unit for a hospital to operate in order to manage cost and staff efficiently. A reduction of this unit to a smaller number of beds would make it more expensive to operate on a per patient basis.

Projections

Projected volumes are based on historical data as well as anticipated increases in volumes related to new and expanding services. With the expansion of the emergency department, emergency room volumes are projected to increase. With the addition of several specialists and the expansion of existing specialty services, volume for clinic and surgery, as well as ancillary services are projected to increase. The additional operating room will allow for, the addition of orthopedic services. The addition of this capability which is also projected to add to the clinic, surgery, and ancillary volumes. The expansion of the emergency department and surgery is projected to increase the observation and acute volumes as well.

The projections provided are very conservative and we actually expect the volumes to be higher than the projections.

Morrison Community Hospital District
Summary of Significant Forecast Assumptions

Historical and Forecasted Demand and Utilization

The following table shows historical and forecasted inpatient, outpatient, and clinic volumes for the Organization:

	Historical						Forecasted	
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2022</u>	<u>2023</u>
Inpatient Volumes								
Routine care admissions	69	48	66	69	85	77	96	106
Routine care days	179	125	204	173	216	174	218	239
Swingbed admissions	138	166	189	168	193	211	232	244
Swingbed days	2,150	2,325	2,787	2,359	2,882	2,682	2,950	3,098
Long-term care admissions	17	37	6	-	-	-	-	-
Long-term care days	9,983	9,678	4,714	-	-	-	-	-
Outpatient Volumes								
Observation admissions	84	102	84	89	97	110	132	145
Observation days	69	106	74	80	92	123	148	162
Surgery	164	260	232	294	482	1,253	1,566	1,801
Speech Therapy	59	115	288	195	107	115	115	115
Radiology	3,047	3,421	3,299	3,391	3,862	4,042	5,255	6,043
Laboratory	24,167	26,127	30,795	32,685	33,388	35,972	39,569	43,526
Respiratory Therapy	3,919	4,413	10,437	11,120	9,996	12,256	13,482	14,560
Physical Therapy	9,493	10,034	10,945	10,632	10,957	10,430	11,264	11,828
Occupational Therapy	5,237	5,942	6,267	5,372	5,278	5,590	6,037	6,339
EKG	444	450	516	589	494	718	826	908
Emergency Room	1,715	1,719	1,961	2,156	2,050	2,075	2,490	2,739
Ambulance	449	467	470	487	451	454	522	574
Wound Care	-	-	323	331	398	477	525	577
Clinic	14,169	12,498	15,017	16,850	18,260	18,155	20,878	22,966

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ATTACHMENT # 15

SERVICE SPECIFIC REVIEW CRITERIA

Medical/Surgical Beds (Swing Beds Included)

A. Necessary Expansion

The Morrison Community Hospital Medical and Surgical Department cares for a wide variety of patients from pediatric to geriatric with various medical conditions. Nursing care is provided 24 hours a day by a team of professional Registered Nurses, Licensed Practical Nurses, and Certified Nursing Assistants.

While the number of beds remains the same at twenty-five, the total square Footage for the department increases from 10,953 GSF to 14,468 GSF with 3,414 GSF of new construction. This increase allows the applicant to construct 8 replacement beds which will be larger than the existing beds in order to treat larger patients, patients requiring additional equipment in the room, and provide more private rooms. The vacating of some bed space will allow the applicant to construct a new more efficient nurses' station and to provide additional supportive services within the unit.

The hospital is designated as a Critical Access hospital with a total of 25 Medical/Surgical beds which are also used as swing beds to serve skilled care patients. The State standard calls for 500-660 GSF per bed and the applicant's proposal calls for 578.7 GSF/bed which is well within the target range.

Based upon the 25 bed unit the square footage proposed is consistent with the State Standards.

B. Planning Area Need - Service Demand

There is currently an excess of 47 beds in Planning Area B-3 which includes Whiteside County where the applicant is located.

The applicant is not proposing to add any additional beds to the hospital nor to add a new category of service. The additional space proposed for this department is to remedy problems with the existing beds to make them more accessible to the hospital's patients, provide additional support space to the unit and to increase the facility's ability to accommodate all of the patients who come to the hospital for care.

C. Maldistribution

The proposed will not result in a maldistribution of services in the planning area, nor will it significantly, negatively impact any existing facilities workload.

In summary the proposed project will have no impact on the Planning Area's need for beds.

D. Occupancy

The applicant's historical occupancy for 2017 was 33% and the projected occupancy for 2023 is 38%. The target occupancy for a 25 bed unit is 60%

The hospital district was established by referendum and confirmed by order of the court on June 27, 1952 and designated a critical access hospital in August of 2003. The hospital currently has 25 Medical/ Surgical Beds which accommodates both acute care patients and swing-bed patients needing skilled Nursing Services. The 25 bed figure is the size routinely recognized by Medicare and Medicaid as appropriate for a critical access hospital. While fewer beds are allowed additional beds are not. In either case the 25 bed size is appropriate.

The applicant's occupancy level does not meet the State Standard for 25 bed Medical/Surgical units. The nature of a Critical Access Hospital is different from the average general hospital in that it must accommodate a wide variety of patients on a very short term basis while also serving patients in need of skilled nursing care on a somewhat longer length of stay. The skilled nursing patients cared for in a critical access hospital are generally sicker than the Long-Term skilled nursing patient in a skilled nursing facility outside of a hospital. This is primarily a result of patients being discharged from the hospital itself into the skilled nursing beds at an earlier date than one would see at a hospital which discharges patients to a freestanding nursing home.

The hospital has chosen a very conservative approach to projecting patient days in the future. With the addition of specialty physicians, the increase in the surgical capacity and the increase in patients to be seen in the Emergency department, it would be reasonable to assume that the projected utilization would be higher. However a fiscally conservative projection was made to evaluate the hospital's ability to assume debt, it was determined that the lower conservative projections would be used

The proposed 25 bed unit is the optimal size unit for a hospital to operate beds in a cost and staff efficiently. A reduction of this unit to a smaller number of beds would make it more expensive to operate on a per patient basis.

E. Performance Requirements

The applicant meets the requirements of a critical access hospital by having 25 Medical/Surgical/Swing Beds

Criterion 1110.270 - Clinical Service Areas Other than Categories of Service

Service	# Existing Key Rooms	# Proposed Key Rooms
Emergency Department	3	5
Surgery	2	2
Diagnostic Radiology	2	2
Laboratory	N/A	N/A
Medical Surgical Beds	25	25
Cardio/PT Rehab	N/A	N/A
Family Clinic	N/A	N/A
Outpatient Clinic	N/A	N/A

A. Emergency Department –Necessary Expansion

The applicant is proposing to have 5 ED stations three for general patients, one for Trauma patients, and one for Isolation and Mental Health patients.

The applicant believes that all five of these stations are needed in order to meet the needs of the planning area. The existing ED is very small at only 795 GSF which is less than the State Standard suggests for a single station and it does not have individual rooms, but rather curtained off stations immediately adjacent to one another. It is believed that many times the ambulances make a decision to bypass the applicant facility to take the patient to a more modern facility which can better meet the patients' needs. The new facility will allow all types of patients to be treated and triaged at the hospital. Which will increase the applicant's workload while providing more expedited treatment to the patients.

The outpatient clinic has helped to serve the facilities patients from 8 AM to 8 PM. However, with the shortage of health manpower in this area, the applicant will be reducing those hours from 8AM to 6 PM, which will also increase the workload in the ED.

The need for larger rooms is driven by the amount of additional equipment which is needed to treat more complex cases. These cases include trauma, or cardiac patients.

ATTACHMENT #31

hospital currently has 25 Medical/ Surgical Beds which accommodate both acute care patients and swing-bed patients needing skilled Nursing Services. The 25 bed figure is the size routinely recognized by Medicare and Medicaid as appropriate for a critical access hospital. While fewer beds are allowed additional beds are not. In either case the 25 bed size is appropriate.

The applicant's occupancy level does not meet the State Standard for 25 bed Medical/Surgical units, the nature of a Critical Access Hospital is different from the average general hospital in that it must accommodate a wide variety of patients on a very short term basis while also serving patients in need of skilled nursing care on a somewhat longer length of stay.

The skilled nursing patients cared for in a critical access hospital are generally sicker than the skilled nursing patient in a Long-Term skilled nursing facility. This is primarily a result of patients being discharged from the hospital itself into the skilled nursing beds at an earlier date than one would see at a hospital which discharges patients to a freestanding nursing home.

The skilled care program is for patients who still need a high level of nursing and rehab care, but not to the same degree that is given in an acute care setting. This program is managed with a collaboration of health team members which include a provider, nursing staff, rehab team, and other health team members such as dietary and social services consultation.

Benefits of Skilled Care

- Greater flexibility in the use of hospital staff and facilities to meet the community's changing healthcare needs.
- Allows patients and families to become involved in the establishment of health related goals.
- Involves physicians, hospital staff, and family in providing care that promotes physical and psychological.
- Assists the patient and family in evaluating post-hospital care needs through participation in the discharge planning process.
- Maintains a familiar environment for the patient and his/her family.

The proposed twenty-five bed unit is the optimal size unit for a hospital to operate beds in a cost and staff efficient manner. A reduction of these unit to a smaller size would make it more expensive to operate on a per patient basis.

E. Cardio/Pulmonary Rehab

There is no State Standard for this department so the applicant determined the square footage by examining the requirements of each of the rehabilitation sections of the department and by looking at other rehabilitation programs in the area. The applicant

also relied on the expertise of the architects and space consultants who helped them design the proposed unit.

The rehabilitation department offers inpatient and outpatient therapies to individuals needing physical therapy, speech therapy, and occupational therapy. Our rehabilitation team is highly regarded and referred to by many area physicians and facilities. The applicant's rehab services include:

Physical Therapy

- Basic mobility training (bed mobility, transfers, ambulation)
- Management of pain, swelling, joint stiffness, muscle spasm and contractures
- Improve mobility and flexibility
- Develop muscle strength
- Improve cardiovascular and respiratory endurance
- Retraining of balance and coordination
- Treatment of Vertigo, Dizziness
- Improve posture and body mechanics
- Wound Care
- TMJ disorders
- Adaptive equipment (walkers, canes, etc.) prescription and training
- Orthotic (braces, splints, shoe inserts, etc.) and prosthetic devices prescriptions, training and application as appropriate
- Home exercise programs, fitness, and wellness

Occupational Therapy

- Training on self-care and home management
- Adaptive equipment for activities of daily living
- Upper extremity range of motion, strengthening and coordination
- Sensory integration
- Neuromuscular reeducation
- Wheel chair fitting, positioning, and training
- Evaluation home for modifications
- Working conditioning and functional capacity evaluations
- Ergonomics assessment

Speech Therapy

- Provide screening identification, assessment, diagnosis, treatment, Intervention, and follow-up speech and language disorders
- Train and support family members of individuals with speech, voice, Language, communication, and swallowing disabilities.

The proposed department will be utilized by the outpatient programs of the hospital as well as the swing bed patients of the hospital. With the addition of new specialties to the

ATTACHMENT #31

hospital services and the addition of new specialist physicians the volume of patients passing through this department will also increase.

Having rehabilitation services available in the community provides much better access to a service which requires multiple visits over a period of a few weeks. It will make it much easier for the elderly patients in the community to find transportation too and from the facility

Given the projected utilization of the department the proposed space is needed to serve the needs of the patient population of the hospital, and the surrounding area.

F. Family Clinic/Outpatient Clinic

Over the past two years the Emergency Room and Rural Health Clinic have treated nearly 29,000 patients. The clinic is open 8:00 AM to 8:00 PM 361 days per year. This flexibility of these hours allows our community and surrounding area to utilize primary and urgent care avoiding unnecessary emergency room services. This affords many patients and third party payers with the sufficient cost savings. The clinic provides services for the following:

- General Physical Exams
- DOT Physicals
- Pre-Employment Physicals and Work Comp Injury Evaluations
- Preventive Wellness Screening
- Chronic Disease Management
- Wound Care
- VFC Immunizations
- Allergy Testing
- Dermatology Care
- Laceration Repair
- Incision and Drainage
- Doppler Vascular Pulse Detection
- Spirometer Screening
- EKG
- EMG
- Echocardiograms

In addition to the primary/urgent care services, the ***Specialty Physician Services*** include:

- Rheumatology
Specializing in Lupus, Arthritis, and other joint pain
- Podiatry
Treating and managing foot and ankle care and surgical needs
- Gastroenterology Services
- Vascular Surgeon
- Chiropractic Care
- Telemedicine – Psychiatry

- Psychology/Counseling Services
- Endocrinology

Specializes in treating disorders of the endocrine system, such as diabetes, hyperthyroidism, and many others

- General Surgery
- Neurology Services

Podiatry

Dr. David Yeager is Board Certified in Foot and also in Foot and Ankle Reconstruction by the American Board of Foot and Ankle Surgery and is also a fellow of the American Society of Podiatric Surgeons and the American College of Foot and Ankle Surgeons. He is only one of a few surgeons who performs total ankle implants for his patients and enjoys difficult cases to enable his patients to ambulate pain free.

Urology

Dr. Mathew Mathew is a board certified Urologist specializing in general adult and Pediatric urology. He provides treatment for the following:

- Kidney, Bladder and Prostate problems
- Kidney Stone Lithotripsy
- Male impotence and infertility
- Performs vasectomies in office

Neurology

Dr. Waseem Ahmad specializes in general neurology and sleep medicine which includes neurological testing, EEG, EMG, sleep studies and the evaluation and treatment of disorders of the brain, spine, and nervous system.

Diabetic Program

Since the development of our **Diabetic Program** our program has provided tremendous value to the patients that we have served. The program includes a fulltime Endocrinologist, Dr. Priyanka Gauravi. The program also includes a (1) certified wound care nurse, (2) diabetic educator, and (3) Podiatry care. This program means a great deal to not only to our community but to surrounding (50) mile radial area. Patients are traveling at least (50) miles seeking care for their diabetic and thyroid disease management. We are very proud to be able to provide this rewarding service. Travel arrangements and the costs associated with this often prohibits patients from getting the appropriate care to manage and treat their condition as well as other healthcare issues associated with diabetes such as wound and foot care

FINANCIAL VIABILITY

The applicant is a stand -alone district hospital which means that no other entity can guarantee repayment of the loan. The fact that the applicant is a governmental entity means that many of the State Standards do not apply or are listed as 0's, supports the applicant's position that a district hospital is not and should not be held to the same standards as privately owned and operated facility.

A critical access hospital by its very nature will almost always fail to meet some of the State Standards when it is taking on debt which can only be spread over a small number of beds. The USDA has approved the loan to the applicant to construct these new additions and the modernization of several departments within the hospital.

No variance can be addressed by the applicant to the standards which are not met.

Terms and Condition of the Loans

USDA Rural Development Community Facilities Direct Loan \$17,000,000 at 4.875% for 40 years

USDA Rural Economic Development Guaranteed Loan \$4,000,000 at 5.5% for with a 30 year term.

Morrison Community Hospital District
Summary of Significant Forecast Assumptions

Historical and Forecasted Net Patient Service Revenue

A schedule of historical and forecasted gross and net patient service revenue is summarized below:

	Historical						Forecasted	
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2022</u>	<u>2023</u>
Gross Revenue								
Inpatient	\$ 3,484,000	\$ 3,645,000	\$ 4,281,000	\$ 4,491,000	\$ 5,005,000	\$ 4,421,270	\$ 4,904,266	\$ 5,165,889
Outpatient	5,242,000	5,787,000	7,179,000	8,318,000	9,726,000	13,442,336	14,960,682	16,309,754
Clinic	3,229,000	3,077,000	3,693,000	4,638,000	5,197,000	5,655,705	6,503,983	7,154,443
Long-term care	1,915,000	1,857,000	882,000	-	-	-	-	-
Total gross patient revenue	13,870,000	14,366,000	16,035,000	17,447,000	19,928,000	23,519,311	26,368,931	28,630,086
Total contractual adjustments	(2,854,000)	(2,907,000)	(4,036,000)	(4,776,000)	(5,872,000)	(7,473,067)	(8,378,510)	(9,096,974)
Total Net Patient Revenue	11,016,000	11,459,000	11,999,000	12,671,000	14,056,000	16,046,244	17,990,421	19,533,112
Charity Care	(29,000)	(56,000)	(24,000)	(96,000)	(38,000)	(27,094)	(30,377)	(32,982)
Provision for Bad Debts	(965,000)	(885,000)	(776,000)	(1,066,000)	(941,000)	(1,040,828)	(1,166,936)	(1,267,001)
Net Patient Service Revenue, less Provision for Bad Debts	<u>\$ 10,022,000</u>	<u>\$ 10,518,000</u>	<u>\$ 11,199,000</u>	<u>\$ 11,509,000</u>	<u>\$ 13,077,000</u>	<u>\$ 14,978,322</u>	<u>\$ 16,793,108</u>	<u>\$ 18,233,130</u>

ATTACHMENT # 36

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Morrison Community Hospital District
Summary of Significant Forecast Assumptions and Accounting Policies
Five Years Ending June 30, 2022

The Organization's net patient service revenues have been forecasted based upon historical patterns, expected changes in utilization, and the effect of increases in charges associated with the Organization's 2018 budgeted results. Starting in 2019 and throughout the forecast period, the Organization is expected to increase charges annually by 2.00% for inpatient, outpatient, and clinical services.

A schedule of historical and forecasted gross and net patient service revenue is summarized below:

	2013	2014	2015	2016	2017
Gross Revenue					
Inpatient	\$ 3,484,000	\$ 3,645,000	\$ 4,281,000	\$ 4,491,000	\$ 5,005,000
Outpatient	5,242,000	5,787,000	7,179,000	8,318,000	9,726,000
Clinic	3,229,000	3,077,000	3,693,000	4,638,000	5,197,000
Long-term care	1,915,000	1,857,000	882,000	-	-
Total gross patient revenue	13,870,000	14,366,000	16,035,000	17,447,000	19,928,000
Total contractual adjustments	(2,854,000)	(2,907,000)	(4,036,000)	(4,776,000)	(5,872,000)
Total Net Patient Revenue	11,016,000	11,459,000	11,999,000	12,671,000	14,056,000
Charity Care	(29,000)	(56,000)	(24,000)	(96,000)	(38,000)
Provision for Bad Debts	(965,000)	(885,000)	(776,000)	(1,066,000)	(941,000)
Net Patient Service Revenue, less Provision for Bad Debts	\$ 10,022,000	\$ 10,518,000	\$ 11,199,000	\$ 11,509,000	\$ 13,077,000
Forecasted	2018	2019	2020	2021	2022
Gross Revenue					
Inpatient	\$ 5,330,000	\$ 5,387,000	\$ 5,493,000	\$ 5,589,000	\$ 5,656,000
Outpatient	11,363,000	11,663,000	12,414,000	13,254,000	13,938,000
Clinic	5,395,000	5,506,000	5,680,000	5,910,000	6,148,000
Total gross patient revenue	22,088,000	22,556,000	23,587,000	24,753,000	25,742,000
Total contractual adjustments	(6,716,000)	(6,864,000)	(6,608,000)	(6,614,000)	(6,999,000)
Total Net Patient Revenue	15,372,000	15,692,000	16,979,000	18,139,000	18,743,000
Charity Care	(43,000)	(43,000)	(45,000)	(48,000)	(50,000)
Provision for Bad Debts	(1,087,000)	(1,110,000)	(1,160,000)	(1,218,000)	(1,266,000)
Net Patient Service Revenue, less Provision for Bad Debts	\$ 14,242,000	\$ 14,539,000	\$ 15,774,000	\$ 16,873,000	\$ 17,427,000



MORRISON COMMUNITY HOSPITAL
303 North Jackson Street • Morrison, Illinois 61270-3042
Phone: 815-772-4003 • Fax: 815-772-5599

Morrison Community Hospital

In accordance with 77 Ill Admin Code § 1120.140, I attest that:

- A. The total estimated project cost and related costs will be funded in part by the borrowing
Because a portion of the cash and equivalents must be retained in the balance sheet asset
Accounts in order to maintain a current ratio of at least 2.0 times:
- B. The selection of debt financing for the project will be at the lowest net cost available.

Pam J. Pfister, CEO
Morrison Community Hospital

Subscribed and sworn to before me this 7th day of September, 2018 .



COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE									
Department (list below)	A	B	C	D	E	F	G	H	Total Cost (G + H)
	Cost/Square Foot New	Mod.	Gross Sq. Ft. New	Circ.*	Gross Sq. Ft. Mod.	Circ.*	Const. \$ (A x C)	Mod. \$ (B x E)	
Emergency	\$510	\$0	4,240	32%	0	-	\$2,162,400	\$0	\$2,162,400
Surgery	\$750	\$370	663	-	2,021	16%	\$497,250	\$747,770	\$1,245,020
Diagnostic Radiology	\$0	\$270	0	-	848	18%	\$0	\$228,960	\$228,960
Laboratory	\$0	\$370	0	-	2,002	7%	\$0	\$740,740	\$740,740
Med/Surg Nursing Unit	\$590	\$445	3,515	18%	2,121	36%	\$2,073,850	\$943,845	\$3,017,695
Cardio/PT	\$410	\$0	3,414	6%	0	-	\$1,399,740	\$0	\$1,399,740
Family Clinic	\$385	\$250	1,536	16%	587	22%	\$591,360	\$146,750	\$738,110
				-		-			
Administration	\$410	\$0	1,594	14%	0	-	\$653,540	\$0	\$653,540
Registration	\$382	\$0	136	-	0	-	\$51,952	\$0	\$51,952
Billing	\$410	\$270	386	-	406	-	\$158,260	\$109,620	\$267,880
Medical Records	\$0	\$270	0	-	885	-	\$0	\$238,950	\$238,950
Cafeteria	\$0	\$270	0	-	1,201	-	\$0	\$324,270	\$324,270
Public Waiting	\$410	\$0	626	-			\$256,660	\$0	\$256,660
Conference	\$410	\$0	2,388	5%			\$979,080	\$0	\$979,080
Support	\$384	\$270	1,377	-	2,497	-	\$528,768	\$674,190	\$1,202,958
Mechanical	\$410	\$0	4,567	-	0	-	\$1,872,470	\$0	\$1,872,470
Storage	\$0	\$250	0		719		\$0	\$179,750	\$179,750
Electrical	\$410	\$0	497		0		\$203,697	\$0	\$203,697
Stairs/Elevators	\$440	\$0	2952		0		\$1,298,797	\$0	\$1,298,797
Corridors	\$434	\$330	3510		2718		\$1,523,340	\$896,940	\$2,420,280
Site Improvement	N/A	N/A	N/A	-	-	-	\$2,400,000	\$0	\$2,400,000
Canopies	N/A	N/A	N/A	-	-	-	\$617,050	\$0	\$617,050
TOTALS			31,401		16,005		\$17,268,215	\$5,231,785	\$22,500,000
* Include the percentage (%) of space for circulation									



MORRISON COMMUNITY HOSPITAL
303 North Jackson Street • Morrison, Illinois 61270-3042
Phone: 815-772-4003 • Fax: 815-772-5599

Attachment 37

Projected Operating Costs

The projected direct annual operating costs for projected year 2022 are as follows:

Total projected operating costs	\$18,642,000
Total projected patient days	3,316
<i>Projected Direct Annual Operating Costs per Patient Day</i>	<i>\$5,621.83</i>

Total Effect of the Project on Capital Costs

The total projected annual capital costs for projected year 2022 are as follows:

Total annual capital costs	\$1,402,000
Total projected patient days	3,316
<i>Projected Annual Capital Costs per Patient Day</i>	<i>\$422.80</i>

Pam J. Pfister, CEO

Morrison Community Hospital

Subscribed and sworn to before me this 14th day of September, 2018



regarding teaching, research, and any other service.

A table in the following format must be provided as part of Attachment 38.

Safety Net Information per PA 96-0031			
CHARITY CARE			
Charity (# of patients)	Year FY15	Year FY16	Year FY17
Inpatient	1	3	0
Outpatient	65	64	48
Total	33	61	48
Charity (cost in dollars)			
Inpatient	1,123	4,993	20,468
Outpatient	16,133	53,896	34,266
Total	17,255	58,890	54,734
MEDICAID			
Medicaid (# of patients)	Year FY15	Year FY16	Year FY17
Inpatient	10	15	5
Outpatient	5,987	6,426	6,918
Total	5,997	6,441	6,923
Medicaid (revenue)			
Inpatient	345,098	64,425	129,024
Outpatient	1,344,031	1,076,600	1,214,228
Total	1,689,129	1,141,025	1,343,252

APPEND DOCUMENTATION AS ATTACHMENT 38, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION XI. CHARITY CARE INFORMATION

Charity Care information **MUST** be furnished for **ALL** projects [1120.20(c)].

1. All applicants and co-applicants shall indicate the amount of charity care for the latest three **audited** fiscal years, the cost of charity care and the ratio of that charity care cost to net patient revenue.
2. If the applicant owns or operates one or more facilities, the reporting shall be for each individual facility located in Illinois. If charity care costs are reported on a consolidated basis, the applicant shall provide documentation as to the cost of charity care; the ratio of that charity care to the net patient revenue for the consolidated financial statement; the allocation of charity care costs; and the ratio of charity care cost to net patient revenue for the facility under review.
3. If the applicant is not an existing facility, it shall submit the facility's projected patient mix by payer source, anticipated charity care expense and projected ratio of charity care to net patient revenue by the end of its second year of operation.

Charity care" means care provided by a health care facility for which the provider does not expect to receive payment from the patient or a third-party payer (20 ILCS 3960/3). Charity Care **must** be provided at cost.

A table in the following format must be provided for all facilities as part of Attachment 39.

CHARITY CARE			
	Year FY15	Year FY16	Year FY17
Net Patient Revenue	11,815,286	11,839,201	13,886,955
Amount of Charity Care (charges)	24,174	103,901	42,238
Cost of Charity Care	17,255	58,890	54,734

APPEND DOCUMENTATION AS **ATTACHMENT 39**, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.



HOSPITAL FINANCIAL ASSISTANCE REPORT

OFFICE OF THE ATTORNEY GENERAL • STATE OF ILLINOIS

Pursuant to 77 Ill. Adm. Code 4500.60, each Illinois hospital must annually provide, in conjunction with the filing of either its Community Benefits Report as required by the Community Benefits Act or its Worksheet C Part I as required by the Hospital Uninsured Patient Discount Act, a Hospital Financial Assistance Report to the Office of the Attorney General. This form shall be completed and filed with the Office of the Attorney General as described below.

Reporting Hospital: Morrison Community Hospital
Mailing Address: 303 N. Jackson St.
City, State, Zip: Morrison, IL 61270
Reporting Period: July 1, 2016 through June 30, 2017
Taxpayer Number: 36-6008167

...

1. Attach a copy of each Hospital Financial Assistance Application form used during the reporting period. If more than one form was used, identify the date any amended form was adopted.
2. Attach a copy of the Presumptive Eligibility Policy in effect during the reporting period, which shall identify each of the criteria used by the hospital to determine whether a patient is presumptively eligible for Hospital Financial Assistance.
3. Provide the following Hospital Financial Assistance statistics for the hospital during the reporting period:
 - A) The number of Hospital Financial Assistance Applications submitted to the hospital, both complete and incomplete, during the most recent fiscal year: a) 37
 - B) The number of Hospital Financial Assistance Applications the hospital approved under its Presumptive Eligibility Policy during the most recent fiscal year: b) 7
 - C) The number of Hospital Financial Assistance Applications the hospital approved outside its Presumptive Eligibility Policy during the most recent fiscal year: c) 25
 - D) The number of Hospital Financial Assistance Applications denied by the hospital during the most recent fiscal year: d) 7
 - E) The total dollar amount of financial assistance provided by the hospital during the most recent fiscal year based on actual cost of care: e) \$ 53,941.93
4. If the Reporting Hospital annually files a Community Benefits Plan Report with the Office of the Attorney General pursuant to the Community Benefits Act, the Hospital Financial Assistance Report shall be filed at the same time as the Community Benefits Plan Report is filed each year. All records and certifications required to be filed under this Part in conjunction with the filing of its Community Benefits Report as required by the Community Benefits Act shall be submitted to:
5. If the Reporting Hospital is not required to annually file a Community Benefits Plan Report with the Office of the Attorney General, the Hospital Financial Assistance Report shall be filed jointly with its Worksheet C Part I from its most recently filed Medicare Cost Report pursuant to the Hospital Uninsured Patient Discount Act. All records and certifications required to be filed under this Part in conjunction with the filing of its Worksheet C as required by the Hospital Uninsured Patient Discount Act shall be submitted to:

Charitable Trusts Bureau
Office of the Illinois Attorney General
100 West Randolph Street, 11th Floor
Chicago, Illinois 60601

Health Care Bureau
Office of the Illinois Attorney General
100 West Randolph Street, 10th Floor
Chicago, Illinois 60601

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6. If the Reporting Hospital utilizes Electronic and Information Technology in the implementation of the Hospital Financial Assistance Application requirements, identify such Electronic and Information Technology so used and the source of such Electronic and Information Technology:

N/A

7. If the Reporting Hospital utilizes Electronic and Information Technology in the implementation of the Presumptive Eligibility Criteria, identify such Electronic and Information Technology so used and the source of such Electronic and Information Technology:

N/A

...

Under penalty of perjury, I the undersigned declare and certify that I have examined this Hospital Financial Assistance Report and the documents attached thereto. I further declare and certify that this Hospital Financial Assistance Report and the documents attached thereto are true and complete.

Name and Title (CEO or CFO): Cami Megli, CFO

Signature: Camillegli

Date: 2/9/18

...

Where the Reporting Hospital utilizes Electronic and Information Technology in the implementation of the Hospital Financial Assistance Application requirements, complete the following additional certification:

I further declare and certify that each of the Hospital Financial Assistance Application requirements set forth in 77 Ill. Adm. Code 4500.30 are included in Hospital Financial Assistance Applications processed by Electronic and Information Technology.

Name and Title (CEO or CFO): _____

Signature: _____

Date: _____

...

Where the Reporting Hospital utilizes Electronic and Information Technology in the implementation of the Presumptive Eligibility Criteria, complete the following additional certification:

I further declare and certify that each of the Presumptive Eligibility Criteria requirements set forth in 77 Ill. Adm. Code 4500.40 are included in Hospital Financial Assistance Applications processed by Electronic and Information Technology.

Name and Title (CEO or CFO): _____

Signature: _____

Date: _____

CITY OF MORRISON

200 West Main Street
Morrison, Illinois 61270-2400
Phone: 815-772-7657
Fax: 815-772-4291
morrisonil.org



U.S.D.A.

August 15, 2018

Lending Authority

To Whom It May Concern:

As Mayor of Morrison, I can attest to the great benefit that the Morrison Hospital brings to our community. It is not only one of our largest employers, but more importantly, it provides the medical care that our citizens need and deserve. By improving the emergency services area, the probability of receiving timely personal attention without distraction will be greatly enhanced.

During times of emergency, patients, their loved ones, as well as attending specialists and doctors deserve to be in an environment that provides modern amenities as well as privacy. Close proximity to laboratory analysis will also lead to quicker diagnosis.

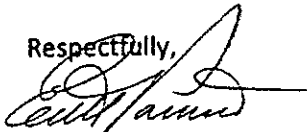
As a community we owe it to ourselves and families to see to it that the hospital is successful with its expansion plans. Building this addition is a big step toward improving the quality of our available health care in our community.

In addition to the obvious improvement in overall healthcare, having a modern, well equipped emergency department will bring a sense of confidence that competent emergency care is available only minutes away. Having a local hospital with state-of-art emergency department is a key reason why people and businesses will want to remain and/or locate to our community.

The overall impact to the community of a well-staffed hospital and emergency room is immense, not just for providing much needed jobs and adding to the local economy, but it greatly improves our overall quality of life.

I ask that your group support the hospitals proposal for their much needed upgrades. It is a key piece of Morrison's future.

Respectfully,



Everett Pannier

Mayor-City of Morrison

Morrison Community Hospital District

Financial Report
June 30, 2017

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Independent Auditor's Report

RSM US LLP

To the Board of Trustees
Morrison Community Hospital District

Report on the Financial Statements

We have audited the accompanying financial statements of Morrison Community Hospital District and the Morrison Community Hospital Foundation (collectively the Organization) which comprise the statements of net position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2017 and 2016, and the respective changes in its financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 – 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Organization's basic financial statements. The combining financial statements and other schedules, listed in the table of contents as Supplementary Information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audits and the procedures as described above, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

RSM US LLP

Davenport, Iowa
October 26, 2017

Morrison Community Hospital District

Management's Discussion and Analysis Years Ended June 30, 2017 and 2016

Introduction

This section of the annual audited financial report represents management's discussion and analysis of Morrison Community Hospital District for the fiscal years ended June 30, 2017 and 2016. The intent of this discussion is to provide an overview of the Organization's performance and should be read in conjunction with the Organization's financial statements and notes thereto.

Morrison Community Hospital District (Hospital) operates a Critical Access Hospital (CAH) with a 25-bed public hospital, governed by a nine member Board of Trustees located in Morrison, Illinois. Morrison Community Hospital District serves the citizens of the greater Whiteside County area and particularly the residents of Morrison, Illinois.

The Morrison Community Hospital Foundation (Foundation) is a legally separate, tax-exempt, component unit of Morrison Community Hospital District presented on a blended basis. The Foundation was formed to promote, encourage or foster any activity which will promote the health and well-being of people in the Morrison, Illinois area. A majority of the Board of Directors of the Foundation is appointed by the Hospital and although the Hospital does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds are contributed to the Hospital. Because the Hospital appoints the majority of the Board of Directors of the Foundation and the resources held by the Foundation are for the benefit of the Hospital, the Foundation is considered a component unit of the Hospital and is presented in the Organization's financial statements as a blended component unit.

The Hospital and Foundation are collectively referred to as the Organization.

Overview of Financial Statements

The basic financial statements of the Organization report information using Governmental Accounting Standards Board (GASB) accounting principles. These statements offer short-term and long-term information about its activities.

The statements of net position provide information about the nature and amounts of the Organization's assets, liabilities, deferred inflows of resources and net position. The statement of net position as of June 30, 2017 indicates total assets of \$11,120,006, total liabilities of \$5,398,887 total deferred inflows of resources of \$573,500 and net position of \$5,147,619.

The statements of activities provide information on the Organization's revenue and expenses. These statements indicate total operating revenue of \$13,308,700 and total operating expenses of \$14,378,370 during fiscal year 2017. The operating loss was \$1,069,670 in 2017, compared to an operating loss of \$1,075,368 in 2016.

The statements of cash flows provide information about the Organization's cash from operating, noncapital financing, capital and related financing and investing activities. As reported in these statements, cash and cash equivalents decreased from \$1,227,055 as of June 30, 2016 to \$614,368 as of June 30, 2017.

There are ten notes to the financial statements included in the audit report. There are also several supplementary schedules that provide the reader detail about the source of the Organization's revenue and expenses. The reader is encouraged to examine these notes and schedules for additional information.

Morrison Community Hospital District

Management's Discussion and Analysis Years Ended June 30, 2017 and 2016

Financial Highlights

- The Organization's total assets increased by \$363,603 or 3.4 percent from June 30, 2016 to June 30, 2017 and decreased by \$355,549 or 3.2 percent from June 30, 2015 to June 30, 2016.
- The Organization's assets exceeded liabilities by \$5,721,119 and \$5,558,841 as of June 30, 2017 and 2016, respectively.
- During the year ended June 30, 2017, the Organization's total operating revenue increased approximately 13.8 percent to \$13,308,700 while the operating expenses increased approximately 12.6 percent to \$14,378,370.
- The Organization made capital investments totaling \$588,311 during the fiscal year. The source of funding for these items was derived from cash from operations and financing activities.

Condensed Statements of Activities

A summary version of the Statements of Activities for the years ended June 30, 2017, 2016 and 2015 follows:

	Year Ended June 30,		
	2017	2016	2015
Net patient revenue	\$ 13,076,937	\$ 11,508,609	\$ 11,199,179
Other operating revenue	231,763	182,140	772,801
Total operating revenue	13,308,700	11,690,749	11,971,980
Nonoperating revenue	1,204,448	1,124,033	1,118,698
Total revenue	14,513,148	12,814,782	13,090,678
Expenses:			
Salaries, wages and employee benefits	8,620,991	7,755,073	7,768,067
Supplies and other	4,428,328	3,723,559	3,903,668
Depreciation	796,729	792,016	698,577
Insurance	421,412	383,451	350,999
Interest	110,910	112,018	93,270
Total operating expenses	14,378,370	12,766,117	12,814,581
Change in net position	134,778	48,665	276,097
Net position:			
Beginning	5,012,841	4,964,176	4,688,079
Ending	<u>\$ 5,147,619</u>	<u>\$ 5,012,841</u>	<u>\$ 4,964,176</u>

Morrison Community Hospital District

Management's Discussion and Analysis Years Ended June 30, 2017 and 2016

Operations

Year Ended June 30, 2017: For fiscal year 2017, patient volumes were above budget for acute and swing bed and below budget for observation. Clinic volumes were below budget for Family Care Clinic and above budget for Specialty Clinic. Outpatient volumes varied with some areas above budget and some areas below budget. While overall volumes were under budget for the year, operating expenses were above budget due to the additional of new services lines.

Year Ended June 30, 2016: For fiscal year 2016, patient volumes were above budget for acute and below budget for observation and swing bed. Clinic volumes were below budget for both Family Care Clinic and Specialty Clinic. Outpatient volumes varied with some areas above budget and some areas below budget. While overall volumes were under budget for year, operating expenses were also below budget due to conservative spending.

Condensed Statements of Net Position

Condensed versions of the statements of net position as of June 30, 2017, 2016 and 2015 are as follows:

	June 30,		
	2017	2016	2015
Assets			
Current assets	\$ 5,961,527	\$ 5,302,508	\$ 5,265,076
Assets limited as to use, noncurrent	95,003	182,001	157,617
Capital assets, net	5,063,476	5,271,894	5,689,259
Total assets	<u>\$ 11,120,006</u>	<u>\$ 10,756,403</u>	<u>\$ 11,111,952</u>
Liabilities, Deferred Inflows of Resources and Net Position			
Liabilities:			
Current liabilities	\$ 2,592,929	\$ 2,226,991	\$ 2,295,503
Long-term debt, less current maturities	2,805,958	2,970,571	3,329,773
Total liabilities	<u>5,398,887</u>	<u>5,197,562</u>	<u>5,625,276</u>
Deferred inflows of resources	<u>573,500</u>	<u>546,000</u>	<u>522,500</u>
Net position:			
Invested in capital assets, net of related debt	1,281,886	1,293,344	1,351,490
Unrestricted	3,771,278	3,648,201	3,564,950
Restricted	94,455	71,296	47,736
Total net position	<u>\$ 11,120,006</u>	<u>\$ 10,756,403</u>	<u>\$ 11,111,952</u>

Morrison Community Hospital District

Management's Discussion and Analysis Years Ended June 30, 2017 and 2016

June 30, 2017: Total assets increased by \$363,603. Net patient receivables increased by \$1,321,456. Third-party payor settlements related to the Medicare cost report shifted from a \$109,717 receivable in the prior year to a \$430,662 payable in fiscal 2017. Total liabilities increased by \$365,938 primarily due to the increase in the liability for third-party payor settlements. Net position increased by \$428,778 in 2017 compared to an increase of \$48,665 in the prior year. The change is due to a decrease in the net operating loss for fiscal year 2017.

June 30, 2016: Total assets decreased by \$355,549. Net patient receivables increased by \$74,497. Third-party payor settlements related to Medicare cost report shifted from a \$264,000 receivable in the prior year to a \$110,000 receivable in fiscal year 2016. Total liabilities decreased by \$427,714 primarily due to the paydown of debt and a decrease in accounts payable. Net position increased by \$48,665 in 2016 compared to an increase of \$276,079 in the prior year. The change is due to an increase in the net operating loss for fiscal year 2016.

Condensed Statements of Cash Flows

Condensed versions of the Statements of Cash Flows for the years ended June 30, 2017, 2016 and 2015 are as follows:

	Year Ended June 30,		
	2017	2016	2015
Cash used in operating activities	\$ (887,736)	\$ (240,798)	\$ (934,371)
Cash provided by noncapital financing activities	1,160,586	1,084,585	1,149,594
Cash used in capital and related financing activities	(896,606)	(847,193)	(815,850)
Cash provided by investing activities	11,069	9,116	6,419
Net increase (decrease) in cash	(612,687)	5,710	(594,208)
Cash and cash equivalents:			
Beginning	1,227,055	1,221,345	1,815,553
Ending	<u>\$ 614,368</u>	<u>\$ 1,227,055</u>	<u>\$ 1,221,345</u>

Year Ended June 30, 2017: Total cash and cash equivalents decreased by \$612,687 due to the following reasons: 1) cash used in operating activities of \$887,736 was primarily the result of the loss from operations and delayed Medicaid remittance from the State of Illinois, 2) cash provided by noncapital financing activities of \$1,160,586 was primarily the result of the tax revenue and contributions received during the year and 3) cash used in capital and related financing activities of \$896,606 was primarily the result of purchase of capital assets and the regular paydown of principal and interest on long-term debt.

Year Ended June 30, 2016: Total cash and cash equivalents increased slightly by \$5,710 due to the following reasons: 1) cash used in operating activities of \$240,798 was primarily the result of the loss from operations, 2) cash provided by noncapital financing activities of \$1,084,585 was primarily the result of the tax revenue and contributions received during the year and 3) cash used in capital and related financing activities of \$847,193 was primarily the result of purchase of capital assets and the regular paydown of principal and interest on long-term debt.

Morrison Community Hospital District

Management's Discussion and Analysis Years Ended June 30, 2017 and 2016

Capital Assets

Capital assets as of June 30, 2017, 2016 and 2015 consist of the following:

	June 30,		
	2017	2016	2015
Capital assets not being depreciated:			
Land	\$ 21,657	\$ 21,657	\$ 210,147
Construction in progress	12,796	39,741	647,726
Capital assets net of depreciation:			
Land improvements	138,479	94,128	92,815
Building and improvements	3,779,975	4,014,696	3,273,902
Equipment	646,063	756,222	1,001,993
Equipment under lease	464,506	345,450	462,676
Total capital assets, net	\$ 5,063,476	\$ 5,271,894	\$ 5,689,259

June 30, 2017: Construction in progress decreased by \$26,945 due to the completion of projects in the facility; there was also a \$208,418 decrease in capital assets net of depreciation due to the completion of projects within the facility and normal depreciation taken for the year.

June 30, 2016: Construction in progress decreased by \$607,985 due to the completion of projects for the life safety upgrades in the facility; there was also a \$417,365 decrease in capital assets net of depreciation due to completion of life safety facility upgrades and normal depreciation taken for the year.

Long-Term Debt

June 30, 2017: The Organization had \$3,781,590 of outstanding debt as of June 30, 2017 compared to \$3,978,550 outstanding as of June 30, 2016. The decrease of debt is due to regularly scheduled principal paydown.

June 30, 2016: The Organization had \$3,978,550 of outstanding debt as of June 30, 2016 compared to \$4,337,769 outstanding as of June 30, 2015. The decrease of debt is due to regularly scheduled principal paydown.

Economic Factors

Year Ended June 30, 2017: As in previous years, the Organization continues to see the positive impact of Critical Access Hospital status. The focus of the facility continues to be on further establishing and expanding primary care and specialty services to the community. The facility continues to concentrate on expanding services in the swing bed area as well as focusing on continued health care reform and Electronic Medical Record enhancements to meet future measures and requirements.

Year Ended June 30, 2016: As in previous years, the Organization continues to see the positive impact of Critical Access Hospital status. The focus of the facility continues to be on further establishing and expanding primary care and specialty services to the community. The facility continues to concentrate on expanding services in the swing bed area as well as focusing on continued health care reform and Electronic Medical Record enhancements to meet future measures and requirements.

Morrison Community Hospital District**Management's Discussion and Analysis
Years Ended June 30, 2017 and 2016**

Financial Information Contact

The Organization's financial statements are designed to provide a general overview of the Organization's finances for all those with an interest in the Organization's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the CEO of Morrison Community Hospital District at 303 North Jackson Street, Morrison, Illinois 61270.

Morrison Community Hospital District

**Statements of Net Position
June 30, 2017 and 2016**

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 519,365	\$ 1,045,054
Receivables:		
Patient, net	4,012,642	2,691,186
Property taxes receivable	488,289	455,496
Succeeding year property tax receivable	573,500	546,000
Other	22,896	23,964
Inventories	269,654	216,916
Prepaid expenses	75,181	214,175
Estimated third-party payor settlements	-	109,717
Total current assets	5,961,527	5,302,508
Assets limited as to use:		
Board designated for capital improvements and debt redemption	548	110,705
Restricted by donor	94,455	71,296
	95,003	182,001
Capital assets:		
Nondepreciable	34,453	61,398
Depreciable, net	5,029,023	5,210,496
	5,063,476	5,271,894
	\$ 11,120,006	\$ 10,756,403

See notes to basic financial statements.

	2017	2016
Liabilities, Deferred Inflows of Resources and Net Position		
Current liabilities:		
Current maturities of long-term debt	\$ 975,632	\$ 1,007,979
Accounts payable	578,517	576,516
Accrued expenses:		
Salaries and wages	134,046	359,436
Compensated absences	255,027	239,311
Payroll taxes and other	219,045	43,749
Estimated third-party payor settlements	430,662	-
Total current liabilities	2,592,929	2,226,991
Long-term debt, less current maturities	2,805,958	2,970,571
Total liabilities	5,398,887	5,197,562
Deferred inflows of resources, revenue for succeeding year property taxes	573,500	546,000
Commitments and contingencies (Note 8)		
Net position:		
Invested in capital assets, net of related debt	1,281,886	1,293,344
Unrestricted	3,771,278	3,648,201
Restricted	94,455	71,296
Total net position	5,147,619	5,012,841
	\$ 11,120,006	\$ 10,756,403

Morrison Community Hospital District

Statements of Activities

Years Ended June 30, 2017 and 2016

	2017	2016
Operating revenue:		
Net patient service revenue	\$ 13,076,937	\$ 11,508,609
Other operating revenue	231,763	182,140
Total operating revenue	13,308,700	11,690,749
Operating expenses:		
Salaries and wages	7,028,561	6,461,127
Employee benefits	1,592,430	1,293,946
Supplies and other	4,428,328	3,723,559
Depreciation	796,729	792,016
Insurance	421,412	383,451
Interest	110,910	112,018
Total operating expenses	14,378,370	12,766,117
Loss from operations	(1,069,670)	(1,075,368)
Nonoperating revenue:		
County tax revenue	1,092,220	1,039,905
State replacement tax revenue	95,347	74,908
Contributions and other	5,812	104
Investment income	11,069	9,116
	1,204,448	1,124,033
Change in net position	134,778	48,665
Net position:		
Beginning	5,012,841	4,964,176
Ending	\$ 5,147,619	\$ 5,012,841

See notes to basic financial statements.

Morrison Community Hospital District

Statements of Cash Flows

Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Cash received from patients and third-party payors	\$ 12,295,860	\$ 11,557,395
Payments to employees	(8,654,944)	(7,742,963)
Payments to suppliers and others	(4,759,483)	(4,247,389)
Other receipts and payments, net	232,831	192,159
Net cash used in operating activities	(885,736)	(240,798)
Cash flows from noncapital financing activities:		
Tax revenue	1,154,774	1,084,481
Contributions	5,812	104
Net cash provided by noncapital financing activities	1,160,586	1,084,585
Cash flows from capital and related financing activities:		
Purchase of capital assets	(352,093)	(372,651)
Borrowings on line of credit	-	110,000
Principal payments on long-term debt	(435,178)	(469,219)
Interest paid on debt	(111,335)	(115,323)
Net cash used in capital and related financing activities	(898,606)	(847,193)
Cash flows provided by investing activities, investment income	11,069	9,116
Net increase (decrease) in cash and cash equivalents	(612,687)	5,710
Cash and cash equivalents:		
Beginning, including assets limited as to use		
2016 \$182,001; 2015 \$157,617	1,227,055	1,221,345
Ending, including assets limited as to use		
2017 \$95,003; 2016 \$182,001	<u>\$ 614,368</u>	<u>\$ 1,227,055</u>
Reconciliation of operating (loss) to net cash used in operating activities:		
Loss from operations	\$ (1,069,670)	\$ (1,075,368)
Adjustments to reconcile loss from operations to net cash used in operating activities:		
Depreciation	796,729	792,016
Interest expense	110,910	112,018
Changes in assets and liabilities:		
Receivables	(1,320,388)	(95,478)
Inventories	(52,738)	(16,715)
Prepaid expenses	138,994	(44,364)
Accounts payable and accrued expenses	(29,952)	(67,190)
Estimated third-party payor settlements	540,379	154,283
Net cash used in operating activities	\$ (885,736)	\$ (240,798)

(Continued)

Morrison Community Hospital District

Statements of Cash Flows (Continued)
Years Ended June 30, 2017 and 2016

	2017	2016
Noncash capital and related financing activities:		
Capital lease obligation incurred for acquisition of equipment	<u>\$ 238,218</u>	<u>\$ -</u>
Increase (decrease) in accounts payable related to construction in progress	<u>\$ (2,000)</u>	<u>\$ 2,000</u>

See notes to basic financial statements.

Morrison Community Hospital District

Notes to Basic Financial Statements

Note 1. Nature of Business and Significant Accounting Policies

Financial reporting entity and nature of operations:

Reporting entity: Morrison Community Hospital District (Hospital) is a 25-bed public hospital, governed by a nine member Board of Trustees. The Hospital is located in Morrison, Illinois and serves Morrison and surrounding areas. The Hospital is designated as a Critical Access Hospital (CAH) by Medicare.

Blended component unit: Morrison Community Hospital Foundation (Foundation) is a legally separate, tax-exempt corporation formed to promote, encourage or foster any activity which will promote the health and well-being of people in the Morrison, Illinois area. The Foundation is a 501(c)(3) not-for-profit organization with a fiscal year ending on June 30. The Hospital has determined the Foundation should be presented as a blended component unit as the Hospital appoints the voting majority of the Foundation's Board of Directors and the Foundation has a specific financial benefit or burden to the Hospital. Accordingly, the Foundation represents a blended component unit of the Hospital.

Presented below are condensed financial statements for the Hospital and the Foundation:

Condensed Statement of Net Position June 30, 2017

	Hospital	Foundation	Eliminations	Total (Memorandum Only)
Assets				
Current assets	\$ 5,946,780	\$ 22,750	\$ 8,003	\$ 5,961,527
Assets limited as to use	548	94,455	-	95,003
Capital assets, net	5,063,476	-	-	5,063,476
Total assets	\$ 11,010,804	\$ 117,205	\$ 8,003	\$ 11,120,006
Liabilities, Deferred Inflows of Resources and Net Position				
Liabilities:				
Current liabilities	\$ 2,587,944	\$ 12,988	\$ 8,003	\$ 2,592,929
Long-term debt, less current maturities	2,805,958	-	-	2,805,958
Total liabilities	5,393,902	12,988	8,003	5,398,887
Deferred inflows of resources	573,500	-	-	573,500
Net position:				
Net investment in capital assets	1,281,886	-	-	1,281,886
Unrestricted	3,761,516	9,762	-	3,771,278
Restricted	-	94,455	-	94,455
Total net position	5,043,402	104,217	-	5,147,619
	\$ 11,010,804	\$ 117,205	\$ 8,003	\$ 11,120,006

Morrison Community Hospital District

Notes to Basic Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Condensed Statement of Net Position June 30, 2016

	Hospital	Foundation	Eliminations	Total (Memorandum Only)
Assets				
Current assets	\$ 5,292,954	\$ 9,554	\$ -	\$ 5,302,508
Assets limited as to use	110,705	71,296	-	182,001
Capital assets, net	5,271,894	-	-	5,271,894
Total assets	<u>\$ 10,675,553</u>	<u>\$ 80,850</u>	<u>\$ -</u>	<u>\$ 10,756,403</u>
Liabilities, Deferred Inflows of Resources and Net Position				
Liabilities:				
Current liabilities	\$ 2,226,991	\$ -	\$ -	\$ 2,226,991
Long-term debt, less current maturities	2,970,571	-	-	2,970,571
Total liabilities	<u>5,197,562</u>	<u>-</u>	<u>-</u>	<u>5,197,562</u>
Deferred inflows of resources	<u>546,000</u>	<u>-</u>	<u>-</u>	<u>546,000</u>
Net position:				
Net investment in capital assets	1,293,344	-	-	1,293,344
Unrestricted	3,638,647	9,554	-	3,648,201
Restricted	-	71,296	-	71,296
Total net position	<u>4,931,991</u>	<u>80,850</u>	<u>-</u>	<u>5,012,841</u>
	<u>\$ 10,675,553</u>	<u>\$ 80,850</u>	<u>\$ -</u>	<u>\$ 10,756,403</u>

Condensed Statement of Activities Year Ended June 30, 2017

	Hospital	Foundation	Eliminations	Total (Memorandum Only)
Total operating revenue	\$ 13,215,321	\$ 93,379	\$ -	\$ 13,308,700
Operating expenses, before depreciation	13,521,273	60,368	-	13,581,641
Depreciation	796,729	-	-	796,729
Total operating expenses	<u>14,318,002</u>	<u>60,368</u>	<u>-</u>	<u>14,378,370</u>
Income (loss) from operations	(1,102,681)	33,011	-	(1,069,670)
Nonoperating revenue (expenses), net	<u>1,214,092</u>	<u>(9,644)</u>	<u>-</u>	<u>1,204,448</u>
Change in net position	<u>111,411</u>	<u>23,367</u>	<u>-</u>	<u>134,778</u>
Net position:				
Beginning	4,931,991	80,850	-	5,012,841
Ending	<u>\$ 5,043,402</u>	<u>\$ 104,217</u>	<u>\$ -</u>	<u>\$ 5,147,619</u>

Morrison Community Hospital District

Notes to Basic Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Significant accounting policies:

Accrual basis of accounting: The accrual basis of accounting is used by the Organization. Under the accrual basis of accounting, revenue is recognized when earned and expenses are recognized when the liability has been incurred. Under this basis of accounting, all assets and liabilities associated with the operation of the Organization are included in the statements of net position.

Accounting standards: These financial statements have been prepared in accordance with the Governmental Accounting Standards Board (GASB) codification (GASB Cod.). The financial statements of the component unit are also prepared in accordance with the GASB codification, as it was established for the direct benefit of the Organization.

Accounting estimates: The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents: For purposes of reporting cash flows, cash and cash equivalents include cash and temporary cash investments that have a maturity of three months or less at date of acquisition.

Patient receivables: Patient receivables, where a third-party payor is responsible for paying the amount, are carried at a net amount determined by the original charge for the service provided, less an estimate made for contractual adjustments or discounts provided to third-party payors.

Patient receivables due from patients are carried at the original charge for the service provided less amounts covered by third-party payors and less an estimated allowance for doubtful accounts based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts, by historical experience applied to an aging of accounts and by considering the patient's financial history, credit history and current economic conditions. The Hospital does not charge interest on patient receivables. Patient receivables are written off as bad debt expense when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of bad debt expense when received.

Receivables or payables related to estimated settlements on various risk contracts that the Hospital participates in are reported as third-party payor receivables or payables.

The Hospital's allowance for doubtful accounts for self-pay patients increased from 57 percent of self-pay accounts receivable at June 30, 2016, to 58 percent of self-pay accounts receivable at June 30, 2017. In addition, the Hospital's self-pay write-offs increased approximately \$265,000 from \$1,089,000 for fiscal year 2016 to \$1,354,000 for fiscal year 2017. The increase in the write-offs was due to the increase in the self-pay payor mix through the year and the increase in the allowance was due to a decline in the collection from and a payment lag within self-pay patient accounts. The Hospital has not changed its charity care or uninsured discount policies during fiscal years 2016 or 2017.

Morrison Community Hospital District

Notes to Basic Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Tax revenue: The Hospital is a special taxing district which allows it to levy and appropriate property taxes within the taxing district. Tax revenue is recognized as follows:

Property taxes: Property taxes are recognized as a receivable at the time they are levied. Property taxes receivable as of June 30, 2017 represent the uncollected portion of the 2016 levy. Property taxes are certified in December and attached as an enforceable lien on the property as of the preceding January 1. These taxes become due and collectible in June, August, September and November and are collected by the county collector, who in turn remits to the Hospital its respective share. The succeeding year property tax receivable represents an estimate of the 2017 levy, applicable to the fiscal year ended June 30, 2017. Property taxes that are not available for current year operations are shown as deferred inflows of resources on the accompanying statements of net position.

Personal property replacement taxes: The state law mandates that the personal property replacement tax is to be first applied toward payment of the proportionate amount of debt service previously paid from personal property tax levies.

After debt service obligations are satisfied, any remaining monies can be used for the general operating purposes of the Hospital. The Hospital recognizes revenue from the personal property replacement tax when it becomes measurable and available.

Inventories: Inventories are stated at the lower of cost (first-in, first-out method) or market.

Assets limited as to use: The Organization's assets limited as to use include assets set aside by the Board of Trustees for future capital improvements and debt redemption, over which the Board retains control and may, at its discretion, subsequently use for other purposes and donor-restricted assets, which are to be used for their respective donor-imposed restriction. The assets limited as to use consist of certificates of deposit and cash totaling \$95,003 and \$182,001 as of June 30, 2017 and 2016, respectively. The certificates of deposit are recorded at cost, which management believes approximates fair value.

Capital assets: Capital assets are carried at cost or, if donated, are recorded at fair value at the time of donation. Assets under capital lease obligations are depreciated over the shorter of the lease term or their respective estimated useful lives. Amortization on assets under capital leases is included with depreciation expense on owned capital assets. Depreciation is computed by the straight-line method over estimated useful lives as follows:

	<u>Years</u>
Land improvements	5 - 20
Buildings and improvements	5 - 40
Equipment	5 - 20

Interest expense related to construction of capital assets is capitalized. There was no capitalized interest for the years ended June 30, 2017 and 2016, respectively.

Donated supplies, investments and capital assets: Donated supplies, investments and capital assets are recorded at their fair value at date of donation, which is then treated as cost.

Compensated absences: Paid time off benefits are earned by employees of the Organization based on time of service. The Organization accrues paid time off benefits as earned as an expense and liability.

Morrison Community Hospital District

Notes to Basic Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Net patient service revenue: Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors and others as services are rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Operating income: The Organization distinguishes operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from the primary purpose of the Organization, which is to provide medical services to the area. Other operating revenue consists primarily of cafeteria and special meals, grant income and other miscellaneous services. Operating expenses consist primarily of salaries and benefits, supplies, insurance, depreciation and interest. All revenue and expenses not meeting these criteria are considered nonoperating.

Contributions: From time-to-time the Organization receives contributions from individuals and private organizations. Revenue from contributions (including contributions of capital assets) is recognized when all eligibility requirements, including time requirements, are met. Contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue.

Charity care: The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The Hospital maintains records to identify and monitor the level of charity care it provides. Gross patient service revenue identified as charity care and not reported as revenue during the years ended June 30, 2017 and 2016 was approximately \$28,000 and \$96,000, respectively.

The Hospital estimates that the cost of providing the charity care was approximately \$28,000 and \$81,000 for the years ended June 30, 2017 and 2016, respectively. The estimated cost of providing the charity care is calculated by applying specific cost-to-charge ratios to the amount of charity care charges forgone.

Investment income: Interest income on cash and deposits is reported as nonoperating revenue.

Net position: Net position classifications are defined as follows:

Invested in capital assets, net of related debt – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of any bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted – This component of net position consists of constraints placed on net position through external constraints imposed by creditors (such as through debt agreements), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation, including amounts deposited as required by debt agreements. The Organization's restricted net position has been restricted by a grant agreement and by donors to be used for specific purposes.

Unrestricted – This component of net position consists of net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt", above.

Morrison Community Hospital District

Notes to Basic Financial Statements

Note 2. Net Patient Service Revenue

Approximately 73 percent and 76 percent of the Hospital's net patient service revenue for the years ended June 30, 2017 and 2016, respectively, was earned under agreements with Medicare, Medicaid and Blue Cross. These agreements provide for reimbursement to the Hospital at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Hospital's established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with major third-party reimbursement programs follows:

Medicare: The Hospital is designated as a CAH. Under the CAH methodology, the Hospital is reimbursed for inpatient, outpatient and swing bed services based on a reasonable cost methodology at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audit by the third-party Medicare fiscal intermediary.

The Hospital's Medicare cost reports have been finalized by the Medicare fiscal intermediary through the year ended June 30, 2015.

Medicaid: Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Outpatient services related to Medicaid program beneficiaries are reimbursed on a fee schedule.

Other payors: The Hospital has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the Hospital under these agreements may include prospectively determined rates and discounts from established charges.

A summary of net patient service revenue for the years ended June 30, 2017 and 2016 is as follows:

	2017	2016
Gross patient service revenue	\$ 19,890,914	\$ 17,350,709
Less discounts, allowances and estimated contractual adjustments under third-party reimbursement programs	(5,872,635)	(4,775,751)
Less provision for bad debts	(941,342)	(1,066,349)
Net patient service revenue	<u>\$ 13,076,937</u>	<u>\$ 11,508,609</u>

Contractual adjustment expense for the years ended June 30, 2017 and 2016 includes the effect of a change in estimate of third-party payor settlements. The effect of this change in estimate is an increase in contractual adjustment expense of approximately \$50,000 for the year ended June 30, 2017 and a decrease in contractual adjustment expense of approximately \$18,000 for the year ended June 30, 2016. The changes in estimates are related to adjustments primarily based on final settlement of cost reports.

In December 2008, the Federal Centers for Medicare and Medicaid Services (CMS) approved the State of Illinois Medicaid Hospital Assessment Program. Under the Program, a hospital receives additional Medicaid reimbursement from the State and pays a related assessment. The Hospital's additional reimbursement for the years ended June 30, 2017 and 2016 was received and has been recorded in the accompanying financial statements. Total reimbursement revenue recognized by the Hospital related to this Program amounted to approximately \$12,000 and \$11,000 for the years ended June 30, 2017 and 2016, respectively, and is recorded as a reduction of contractual adjustment expense. As a governmental hospital, the Hospital did not incur any assessments related to this Program. The Program is effective through June 2018.

Morrison Community Hospital District

Notes to Basic Financial Statements

Note 2. Net Patient Service Revenue (Continued)

On October 1, 2013, CMS approved the Enhanced Hospital Assessment Program (Enhanced). Under this Enhanced program, which was retroactive to June 10, 2012, a hospital receives additional Medicaid reimbursement from the state and pays related assessments. Total reimbursement revenue recognized by the Hospital related to this program amounted to approximately \$30,000 for the year ended June 30, 2016 and is recorded as a reduction of contractual adjustment expense. No amounts were recognized in the year ended June 30, 2017. The enhanced program was effective through December 31, 2015.

In January 2015, the State of Illinois approved a new supplemental payment to hospitals for services provided to newly eligible Medicaid beneficiaries under the Affordable Care Act (ACA). The new supplemental payment was retroactive to March 1, 2014. Total reimbursement revenue recognized by the Hospital related to this program was approximately \$25,000 and \$29,000 for the years ended June 30, 2017 and 2016, respectively.

Note 3. Deposits and Assets Limited as to Use

As of June 30, 2017 and 2016, the Hospital had no investments.

Credit risk: State statutes authorize the Hospital to make deposits and investments in interest-bearing depository accounts in federally insured and/or state chartered banks and savings and loan associations, or other financial institutions as designated by ordinances, and to invest available funds in direct obligations of, or obligations guaranteed by, the U.S. Treasury or agencies of the United States, money market funds whose portfolios consist of government securities, and the Illinois Public Treasurers' Investment Pool. The Hospital's formal investment policy states that the Hospital is to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting daily cash flow demands of the Hospital and conforming to all state and local statutes governing the investment of public funds.

Custodial credit risk: Custodial credit risk is the risk that in event of a bank failure, the Hospital's deposits may not be returned to the Hospital. As of June 30, 2017, the combined bank balance of the Hospital's deposits in financial institutions totaled approximately \$839,000 of which all was insured and collateralized.

Note 4. Composition of Patient Receivables

Patient receivables as of June 30, 2017 and 2016 consist of the following:

	2017	2016
Patients	\$ 6,904,642	\$ 4,728,186
Less:		
Estimated allowance for third-party contractual adjustments	2,023,000	1,080,000
Allowance for doubtful accounts	869,000	957,000
	<u>\$ 4,012,642</u>	<u>\$ 2,691,186</u>

Morrison Community Hospital District

Notes to Basic Financial Statements

Note 5. Capital Assets

A summary of capital assets as of June 30, 2017 and 2016 is as follows:

	June 30, 2016	Additions	Disposals	Transfers	June 30, 2017
Capital assets not being depreciated:					
Land	\$ 21,657	\$ -	\$ -	\$ -	\$ 21,657
Construction in progress	39,741	263,708	-	(290,653)	12,796
Total capital assets not being depreciated	61,398	263,708	-	(290,653)	34,453
Capital assets being depreciated:					
Land improvements	374,172	5,824	-	51,335	431,331
Building and improvements	9,361,754	20,548	-	60,359	9,442,661
Equipment	4,709,210	60,013	-	178,959	4,948,182
Equipment under lease	586,129	238,218	-	-	824,347
Total capital assets being depreciated	15,031,265	324,603	-	290,653	15,646,521
Less accumulated depreciation for:					
Land improvements	280,044	12,808	-	-	292,852
Building and improvements	5,347,058	315,628	-	-	5,662,686
Equipment	3,952,988	349,131	-	-	4,302,119
Equipment under lease	240,679	119,162	-	-	359,841
Total accumulated depreciation	9,820,769	796,729	-	-	10,617,498
Total capital assets being depreciated, net	5,210,496	(472,126)	-	290,653	5,029,023
Capital assets, net	\$ 5,271,894	\$ (208,418)	\$ -	\$ -	\$ 5,063,476
	June 30, 2015	Additions	Disposals	Transfers	June 30, 2016
Capital assets not being depreciated:					
Land	\$ 210,147	\$ -	\$ -	\$ (188,490)	\$ 21,657
Construction in progress	647,726	268,346	-	(876,331)	39,741
Total capital assets not being depreciated	857,873	268,346	-	(1,064,821)	61,398
Capital assets being depreciated:					
Land improvements	362,300	5,930	-	5,942	374,172
Building and improvements	8,326,398	58,797	-	976,559	9,361,754
Equipment	4,585,312	41,578	-	82,320	4,709,210
Equipment under lease	586,129	-	-	-	586,129
Total capital assets being depreciated	13,860,139	106,305	-	1,064,821	15,031,265
Less accumulated depreciation for:					
Land improvements	269,485	10,559	-	-	280,044
Building and improvements	5,052,496	294,562	-	-	5,347,058
Equipment	3,583,319	369,669	-	-	3,952,988
Equipment under lease	123,453	117,226	-	-	240,679
Total accumulated depreciation	9,028,753	792,016	-	-	9,820,769
Total capital assets being depreciated, net	4,831,386	(685,711)	-	1,064,821	5,210,496
Capital assets, net	\$ 5,689,259	\$ (417,365)	\$ -	\$ -	\$ 5,271,894

Morrison Community Hospital District

Notes to Basic Financial Statements

Note 6. Long-Term Debt

Long-term debt activity as of and for the years ended June 30, 2017 and 2016 is as follows:

	June 30, 2016	Borrowings	Payments	June 30, 2017	Due Within One Year
Note payable, bank (A)	\$ 2,697,132	\$ -	\$ (175,377)	\$ 2,521,755	\$ 179,808
Note payable, bank (C)	313,282	-	(77,440)	235,842	73,574
Line of credit, bank (D)	655,000	-	(60,000)	595,000	595,000
Capital lease obligation (E)	2,428	-	(2,428)	-	-
Capital lease obligation (F)	270,075	-	(75,370)	194,705	75,370
Capital lease obligation (G)	24,737	-	(24,737)	-	-
Capital lease obligation (H)	15,896	-	(4,201)	11,695	4,548
Capital lease obligation (I)	-	74,520	(594)	73,926	16,428
Capital lease obligation (J)	-	163,698	(15,031)	148,667	30,904
	<u>\$ 3,978,550</u>	<u>\$ 238,218</u>	<u>\$ (435,178)</u>	<u>\$ 3,781,590</u>	<u>\$ 975,632</u>

	June 30, 2015	Borrowings	Payments	June 30, 2016	Due Within One Year
Note payable, bank (A)	\$ 2,868,177	\$ -	\$ (171,045)	\$ 2,697,132	\$ 175,374
Note payable, bank (B)	22,098	-	(22,098)	-	-
Note payable, bank (C)	393,951	-	(80,669)	313,282	70,867
Line of credit, bank (D)	610,000	110,000	(65,000)	655,000	655,000
Capital lease obligation (E)	30,321	-	(27,893)	2,428	2,428
Capital lease obligation (F)	345,445	-	(75,370)	270,075	75,370
Capital lease obligation (G)	48,000	-	(23,263)	24,737	24,737
Capital lease obligation (H)	19,777	-	(3,881)	15,896	4,203
	<u>\$ 4,337,769</u>	<u>\$ 110,000</u>	<u>\$ (469,219)</u>	<u>\$ 3,978,550</u>	<u>\$ 1,007,979</u>

- (A) Note payable, due in monthly installments of \$22,067, including interest determined every five years based on the prime rate less 1 percent, but in any event not to exceed 1.5 percent over the interest rate in effect at the time of the adjustment. The interest rate was 2.5 percent as of June 30, 2017. The note matures in August 2029. Under terms of the loan agreement, the Hospital is subject to certain covenants, including the achievement of certain financial ratios.
- (B) Note payable, due in monthly installments of \$2,528, including interest at 3.54 percent, paid in full in March 2016.
- (C) Note payable, due in monthly installments of \$7,323, including interest at 3.75 percent through May 2020, secured by equipment.
- (D) The Hospital has a line of credit which matures on April 30, 2018. The total outstanding balance under this agreement cannot exceed \$1,000,000. Borrowings on the line of credit shall bear interest at 3.25 percent. The line of credit is secured by the receivables of the Hospital and subject to certain covenants, including the achievement of certain financial ratios.
- (E) Capital lease obligation, due in monthly installments of \$2,464, including interest at 8.75 percent, paid in full in July 2016.
- (F) Capital lease obligation, due in monthly installments of \$6,281, including interest at 0.00 percent through January 2020, secured by equipment with a depreciated cost of approximately \$201,000 as of June 30, 2017.
- (G) Capital lease obligation, due in semi-annual installments of \$12,948, including interest at 6.18 percent, paid in full in May 2017.

Morrison Community Hospital District

Notes to Basic Financial Statements

Note 6. Long-Term Debt (Continued)

- (H) Capital lease obligation, due in monthly installments of \$443 including interest at 7.99 percent through November 2019, secured by equipment with a depreciated cost of approximately \$11,000 as of June 30, 2017.
- (I) Capital lease obligation, due in monthly installments of \$1,228 including interest at 0.00 percent through November 2021, secured by equipment with a depreciated cost of approximately \$67,000 as of June 30, 2017.
- (J) Capital lease obligation, due in monthly installments of \$2,997 including interest at 0.00 percent through December 2021, secured by equipment with a depreciated cost of approximately \$147,000 as of June 30, 2017.

The aggregate principal and interest maturities of long-term debt, including the line of credit and capital lease obligations, as of June 30, 2017, are approximately as follows:

	Principal	Interest
Year ending June 30:		
2018	\$ 975,632	\$ 74,242
2019	396,371	65,067
2020	364,002	55,687
2021	244,813	48,339
2022	224,697	42,279
2023 - 2027	1,071,457	132,552
2028 - 2029	504,618	14,241
	<u>\$ 3,781,590</u>	<u>\$ 432,407</u>

The future minimum rental commitments payable as of June 30, 2017 on capital lease obligations are as follows:

Year ending June 30:	
2018	\$ 133,020
2019	133,017
2020	98,576
2021	52,351
2022	26,174
Total minimum lease payments	<u>443,138</u>
Less amount representing interest	<u>14,145</u>
Present value of net minimum lease payments	<u>\$ 428,993</u>

Total equipment rental expense for all operating leases for the years ended June 30, 2017 and 2016 was approximately \$143,000 and \$135,000, respectively.

Morrison Community Hospital District

Notes to Basic Financial Statements

Note 7. Retirement Plan

Effective July 1, 2006, the Hospital implemented a nonqualified deferred compensation plan for employees. The plan is administered under Section 457(b) of the Internal Revenue Code. This plan was frozen and the plan is no longer accepting employee elective deferrals. There was no employer contribution or matching provision under the 457(b) plan.

The Hospital also has a nonqualified deferred compensation plan for employees that is administered under Section 403(b) of the Internal Revenue Code. This plan was frozen on February 16, 2006. No new participants are eligible to join the plan, and the plan is no longer accepting employee elective deferrals effective February 16, 2006.

Effective August 1, 2009, the Hospital implemented a qualified deferred compensation plan for employees. The plan is administered under Section 457(b) of the Internal Revenue Code. The Hospital matched 3 percent of employees' contributions for the years ended June 30, 2017 and 2016. The matching contributions totaled approximately \$150,000 and \$127,000 for the years ended June 30, 2017 and 2016, respectively. Matching contributions are subject to a five year vesting requirement.

Note 8. Insurance and Contingent Liabilities

Worker's compensation: Through August 31, 2015 the Hospital was a participant in the Illinois Compensation Trust (ICT), an organization sponsored by the Illinois Hospital Association (IHA) to provide worker's compensation coverage to Illinois hospitals which are members of IHA. Effective August 31, 2015 participation in ICT was terminated by the Hospital, and the Hospital is no longer liable for any additional premiums nor for any losses incurred through August 31, 2015 as those will be covered by ICT. The Hospital incurred related expenses of approximately \$18,000 for the year ended June 30, 2016.

Effective September 1, 2015, the Hospital obtained commercial insurance covering worker's compensation occurrences on a claims-made basis, with a loss limit of \$1,000,000 per incident and a policy limit of \$1,000,000. The Hospital incurred related expenses of approximately \$98,000 and \$99,000 for the years ended June 30, 2017 and 2016, respectively.

Professional and general liability insurance and litigation: The Hospital maintains professional liability and excess liability insurance covering occurrences on a claims-made basis, with a loss limit of \$1,000,000 per incident and a total limit of \$3,000,000. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The Hospital is involved in litigation arising in the ordinary course of business. It is the opinion of management, however, that the Hospital's malpractice insurance coverage is adequate to provide for potential losses resulting from pending or threatened litigation. Additional claims may be asserted against the Hospital arising from services provided to patients through June 30, 2017. The ultimate cost of resolution of such potential claims is not considered to be material and, accordingly, no accrual has been made for these costs. The Hospital has secured claims-made coverage through December 31, 2017.

The professional and general liability costs totaled approximately \$421,000 and \$383,000 for the years ended June 30, 2017 and 2016, respectively.

Health plan self-insurance: The Hospital is self-insured for its employee health insurance plan. The self-insured claims are processed through a Plan Administrator. The Hospital is responsible for the first \$45,000 of each individual claim and amounts over \$45,000 until the aggregate of the individual excess amounts exceeds \$55,000.

Morrison Community Hospital District

Notes to Basic Financial Statements

Note 8. Insurance and Contingent Liabilities (Continued)

Liabilities are reported when it is probable that a loss will occur, and the amount of loss can be reasonably estimated. Claims liabilities are calculated considering recent claims, settlement trends, including frequency and amount of payouts and other economic and social factors and is included in accrued payroll taxes and other on the accompanying statements of net position. The following is a summary of estimated claims liability for the self-insured health plan for the years ended June 30, 2017 and 2016:

	2017	2016
Balance, beginning	\$ 23,976	\$ 133,752
Claims expense	820,704	566,856
Claims paid	(767,711)	(676,632)
Balance, ending	<u>\$ 76,969</u>	<u>\$ 23,976</u>

Laws and regulations: The health care industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not limited to, accreditation, licensure, government health care program participation requirements, reimbursement for patient services and Medicare and Medicaid fraud and abuse. Recently government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in exclusion from government health care program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received. While the Hospital is subject to similar regulatory reviews, management believes the outcome of any such regulatory review will not have a material adverse effect on the Hospital's financial position.

CMS RAC Program: Congress passed the Medicare Modernization Act in 2003, which among other things, established a demonstration of The Medicare Recovery Audit Contractor (RAC) program. The RACs identified and corrected a significant amount of improper overpayments to providers. In 2006, Congress passed the Tax Relief and Health Care Act of 2006 which authorized the expansion of the RAC program to all 50 states. The Hospital has been subject to such audits and may continue to be subject to additional audits at some time in the future.

Current economic conditions: Current economic conditions have made it difficult for certain patients of the Hospital to pay for services rendered. As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay and other payers may significantly impact net patient service revenue, which could have an adverse impact on the Hospital's future operating results. Further, the effect of economic conditions on the state may have an adverse effect on cash flows related to the Medicaid program.

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in allowances for accounts and receivables that could negatively impact the Hospital's ability to maintain sufficient liquidity.

Morrison Community Hospital District

Notes to Basic Financial Statements

Note 8. Insurance and Contingent Liabilities (Continued)

Health care reform: As a result of recently added enacted federal health care reform legislation, substantial changes are anticipated in the United States health care system. Such legislation includes numerous provisions affecting the delivery of health care services, the financing of health care costs, reimbursement of health care providers and the legal obligations of health insurers, providers and employers. These provisions are currently slated to take effect at specified times over approximately the next decade.

Note 9. Concentration of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of net receivables from third-party payors, patients as of June 30, 2017 and 2016 was as follows:

	2017	2016
Medicare	27%	20%
Medicaid	21	20
Blue Cross	5	4
Other third-party payors	26	36
Patients	21	20
	<u>100%</u>	<u>100%</u>

Note 10. Pending Pronouncement

GASB Statement No. 87, *Leases*, issued June 2017, will be effective for the Organization beginning with its fiscal year ending June 30, 2021, with earlier adoption encouraged. Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. Under this statement, a government entity that is a lessee must recognize (1) a lease liability and (2) an intangible asset representing the lessee's right to use the leased asset. In addition, the Organization must report the (1) amortization expense for using the lease asset over the shorter of the term of the lease or the useful life of the underlying asset, (2) interest expense on the lease liability and (3) note disclosures about the lease. The Statement provides exceptions from the single-approach for short-term leases, financial purchases, leases of assets that are investments, and certain regulated leases. This statement also addresses accounting for lease terminations and modifications, sale-leaseback transactions, non-lease components embedded in lease contracts (such as service agreements), and leases with related parties. The Organization is in the process of evaluating the impact of this new guidance.

Morrison Community Hospital District

**Combining Statements of Net Position
June 30, 2017**

	Morrison Community Hospital District	Morrison Community Hospital Foundation	Eliminations	Combined
Assets				
Current assets:				
Cash and cash equivalents	\$ 496,664	\$ 22,701	\$ -	\$ 519,365
Receivables:				
Patient, net	4,012,642	-	-	4,012,642
Property taxes receivable	488,289	-	-	488,289
Succeeding year property tax receivable	573,500	-	-	573,500
Other	30,850	49	8,003	22,896
Inventories	269,654	-	-	269,654
Prepaid expenses	75,181	-	-	75,181
Total current assets	5,946,780	22,750	8,003	5,961,527
Assets limited as to use:				
Board designated for capital improvements and debt redemption	548	-	-	548
Restricted by donor	-	94,455	-	94,455
	548	94,455	-	95,003
Capital assets:				
Nondepreciable	34,453	-	-	34,453
Depreciable, net	5,029,023	-	-	5,029,023
	5,063,476	-	-	5,063,476
	\$ 11,010,804	\$ 117,205	\$ 8,003	\$ 11,120,006

	Morrison Community Hospital District	Morrison Community Hospital Foundation	Eliminations	Combined
Liabilities, Deferred Inflows of Resources and Net Position				
Current liabilities:				
Current maturities of long-term debt	\$ 975,632	\$ -	\$ -	\$ 975,632
Accounts payable	573,532	12,988	8,003	578,517
Accrued expenses:				
Salaries and wages	134,046	-	-	134,046
Compensated absences	255,027	-	-	255,027
Payroll taxes and other	219,045	-	-	219,045
Estimated third-party payor settlements	430,662	-	-	430,662
Total current liabilities	2,587,944	12,988	8,003	2,592,929
Long-term debt, less current maturities	2,805,958	-	-	2,805,958
Total liabilities	5,393,902	12,988	8,003	5,398,887
Deferred inflows of resources, revenue for succeeding year property taxes	573,500	-	-	573,500
Commitments and contingencies				
Net position:				
Invested in capital assets, net of related debt	1,281,886	-	-	1,281,886
Unrestricted	3,761,516	9,762	-	3,771,278
Restricted	-	94,455	-	94,455
Total net position	5,043,402	104,217	-	5,147,619
	\$ 11,010,804	\$ 117,205	\$ 8,003	\$ 11,120,006

Morrison Community Hospital District

**Combining Statements of Net Position
June 30, 2016**

	Morrison Community Hospital District	Morrison Community Hospital Foundation	Eliminations	Combined
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,036,749	\$ 8,305	\$ -	\$ 1,045,054
Receivables:				
Patient, net	2,691,186	-	-	2,691,186
Property taxes receivable	455,496	-	-	455,496
Succeeding year property tax receivable	546,000	-	-	546,000
Other	22,715	1,249	-	23,964
Inventories	216,916	-	-	216,916
Prepaid expenses	214,175	-	-	214,175
Estimated third-party payor settlements	109,717	-	-	109,717
Total current assets	5,292,954	9,554	-	5,302,508
Assets limited as to use:				
Board designated for capital improvements and debt redemption	110,705	-	-	110,705
Restricted by donor	-	71,296	-	71,296
	110,705	71,296	-	182,001
Capital assets:				
Nondepreciable	61,398	-	-	61,398
Depreciable, net	5,210,496	-	-	5,210,496
	5,271,894	-	-	5,271,894
	\$ 10,675,553	\$ 80,850	\$ -	\$ 10,756,403

	Morrison Community Hospital District	Morrison Community Hospital Foundation	Eliminations	Combined
Liabilities, Deferred Inflows of Resources and Net Position				
Current liabilities:				
Current maturities of long-term debt	\$ 1,007,979	\$ -	\$ -	\$ 1,007,979
Accounts payable	576,516	-	-	576,516
Accrued expenses:				
Salaries and wages	359,436	-	-	359,436
Compensated absences	239,311	-	-	239,311
Payroll taxes and other	43,749	-	-	43,749
Total current liabilities	2,226,991	-	-	2,226,991
Long-term debt, less current maturities	2,970,571	-	-	2,970,571
Total liabilities	5,197,562	-	-	5,197,562
Deferred inflows of resources, revenue for succeeding year property taxes	546,000	-	-	546,000
Commitments and contingencies				
Net position:				
Invested in capital assets, net of related debt	1,293,344	-	-	1,293,344
Unrestricted	3,638,647	9,554	-	3,648,201
Restricted	-	71,296	-	71,296
Total net position	4,931,991	80,850	-	5,012,841
	\$ 10,675,553	\$ 80,850	\$ -	\$ 10,756,403

Morrison Community Hospital District

**Combining Statement of Activities
Year Ended June 30, 2017**

	Morrison Community Hospital District	Morrison Community Hospital Foundation	Eliminations	Combined
Operating revenue:				
Net patient service revenue	\$ 13,076,937	\$ -	\$ -	\$ 13,076,937
Other operating revenue	138,384	93,379	-	231,763
Total operating revenue	13,215,321	93,379	-	13,308,700
Operating expenses:				
Salaries and wages	7,028,561	-	-	7,028,561
Employee benefits	1,592,430	-	-	1,592,430
Supplies and other	4,367,960	60,368	-	4,428,328
Depreciation	796,729	-	-	796,729
Insurance	421,412	-	-	421,412
Interest	110,910	-	-	110,910
Total operating expenses	14,318,002	60,368	-	14,378,370
Income (loss) from operations	(1,102,681)	33,011	-	(1,069,670)
Nonoperating revenue (expense):				
County tax revenue	1,092,220	-	-	1,092,220
State replacement tax revenue	95,347	-	-	95,347
Contributions and other	15,666	(9,854)	-	5,812
Investment income	10,859	210	-	11,069
	1,214,092	(9,644)	-	1,204,448
Change in net position	111,411	23,367	-	134,778
Net position:				
Beginning	4,931,991	80,850	-	5,012,841
Ending	\$ 5,043,402	\$ 104,217	\$ -	\$ 5,147,619

Morrison Community Hospital District

**Combining Statement of Activities
Year Ended June 30, 2016**

	Morrison Community Hospital District	Morrison Community Hospital Foundation	Eliminations	Combined
Operating revenue:				
Net patient service revenue	\$ 11,508,609	\$ -	\$ -	\$ 11,508,609
Other operating revenue	134,024	48,116	-	182,140
Total operating revenue	11,642,633	48,116	-	11,690,749
Operating expenses:				
Salaries and wages	6,461,127	-	-	6,461,127
Employee benefits	1,293,946	-	-	1,293,946
Supplies and other	3,712,422	11,137	-	3,723,559
Depreciation	792,016	-	-	792,016
Insurance	383,451	-	-	383,451
Interest	112,018	-	-	112,018
Total operating expenses	12,754,980	11,137	-	12,766,117
Income (loss) from operations	(1,112,347)	36,979	-	(1,075,368)
Nonoperating revenue (expense):				
County tax revenue	1,039,905	-	-	1,039,905
State replacement tax revenue	74,908	-	-	74,908
Contributions and other	13,523	(13,419)	-	104
Investment income	8,927	189	-	9,116
	1,137,263	(13,230)	-	1,124,033
Change in net position	24,916	23,749	-	48,665
Net position:				
Beginning	4,907,075	57,101	-	4,964,176
Ending	\$ 4,931,991	\$ 80,850	\$ -	\$ 5,012,841

Morrison Community Hospital District

Patient Service Revenue

Years Ended June 30, 2017 and 2016

(Hospital Only)

	2017	2016
Routine services	\$ 1,710,454	\$ 1,399,537
Operating and recovery rooms	2,120,889	790,399
Medical supplies	60,661	41,412
Emergency services	1,738,083	2,002,441
Laboratory and blood bank	2,652,419	2,500,100
Electrocardiology	146,134	155,103
Radiology	2,682,346	2,161,500
Pharmacy	2,632,948	2,508,276
Anesthesiology	303,109	54,293
Respiratory therapy	332,187	439,222
Physical therapy	1,170,562	1,124,790
Speech therapy	21,960	29,806
Occupational therapy	579,337	587,938
Ambulance	568,017	653,606
Clinics	3,131,895	2,936,796
Wound care	78,294	61,801
	<u>19,929,295</u>	<u>17,447,020</u>
Less charity care	<u>38,381</u>	<u>96,311</u>
Total patient service revenue *	\$ 19,890,914	\$ 17,350,709
* Total patient service revenue, reclassified:		
Inpatient revenue	\$ 4,841,821	\$ 4,332,651
Outpatient revenue	15,087,474	13,114,369
	<u>19,929,295</u>	<u>17,447,020</u>
Less charity care	<u>38,381</u>	<u>96,311</u>
Total patient service revenue	19,890,914	17,350,709
Contractual adjustments:		
Medicare	2,494,932	1,636,031
Medicaid	2,086,406	1,986,738
Other	1,291,297	1,152,982
Total contractual adjustments	5,872,635	4,775,751
Net patient service revenue, before provision for bad debts	14,018,279	12,574,958
Provision for bad debts	<u>941,342</u>	<u>1,066,349</u>
Net patient service revenue	\$ 13,076,937	\$ 11,508,609

Morrison Community Hospital District

Operating Expenses

Years Ended June 30, 2017 and 2016

(Hospital Only)

	2017		
	Total	Salaries and Wages	Supplies and Other Expenses
Nursing administration	\$ 94,034	\$ 93,116	\$ 918
Routine services	1,410,079	1,274,364	135,715
Operating and recovery rooms	574,774	183,529	391,245
Emergency services	1,667,776	406,551	1,261,225
Laboratory and blood bank	732,590	356,785	375,805
Radiology	444,766	313,920	130,846
Pharmacy	406,917	140,955	265,962
Anesthesiology	104,476	-	104,476
Respiratory therapy	38,714	783	37,931
Physical therapy	279,840	273,411	6,429
Speech therapy	5,547	3,922	1,625
Occupational therapy	192,327	191,683	644
Ambulance	71,792	48,127	23,665
Clinics	2,469,940	1,917,309	552,631
Wound care	64,193	55,041	9,152
PAR	1,147	-	1,147
Social services	70,736	70,333	403
Medical records	246,976	208,597	38,379
Dietary	283,711	192,317	91,394
Plant operation and maintenance	545,861	173,995	371,866
Housekeeping	186,090	161,505	24,585
Laundry	27,697	-	27,697
Purchasing	48,387	35,088	13,299
Administrative services	1,376,828	877,469	499,359
Central sterilization	41,547	40,183	1,364
Electrocardiology	9,776	9,578	198
	11,396,521	\$ 7,028,561	\$ 4,367,960
Depreciation	796,729		
Insurance	421,412		
Employee benefits	1,592,430		
Interest expense	110,910		
	<u>\$ 14,318,002</u>		

2016

Total	Salaries and Wages	Supplies and Other Expenses
\$ 69,741	\$ 69,248	\$ 493
1,284,611	1,129,130	155,481
193,184	64,805	128,379
1,739,323	472,873	1,266,450
663,245	333,387	329,858
308,088	239,479	68,609
453,343	177,812	275,531
44,948	-	44,948
35,713	238	35,475
275,693	271,434	4,259
8,082	8,082	-
203,727	202,285	1,442
82,645	54,121	28,524
1,991,043	1,601,344	389,699
28,443	18,888	9,555
817	-	817
71,581	70,630	951
256,468	222,301	34,167
306,936	220,053	86,883
474,373	126,013	348,360
180,837	156,976	23,861
26,670	-	26,670
35,825	35,531	294
1,357,054	908,623	448,431
76,123	73,207	2,916
5,036	4,667	369

10,173,549 \$ 6,461,127 \$ 3,712,422

792,016

383,451

1,293,946

112,018

\$ 12,754,980

Morrison Community Hospital District

Financial Report
June 30, 2016

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Independent Auditor's Report

RSM US LLP

To the Board of Trustees
Morrison Community Hospital District
Morrison, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Morrison Community Hospital District and the Morrison Community Hospital Foundation (collectively the Organization) which comprise the statements of net position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2016 and 2015, and the respective changes in its financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 – 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standard Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Organization's basic financial statements. The combining financial statements and other schedules, listed in the table of contents as Supplementary Information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audits and the procedures as described above, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

RSM US LLP

Davenport, Iowa
October 28, 2016

Morrison Community Hospital District

Management's Discussion and Analysis Years Ended June 30, 2016 and 2015

Introduction

This section of the annual audited financial report represents management's discussion and analysis of Morrison Community Hospital District for the fiscal years ended June 30, 2016 and 2015. The intent of this discussion is to provide an overview of the Organization's performance and should be read in conjunction with the Organization's financial statements and notes thereto.

Morrison Community Hospital District (Hospital) operates a Critical Access Hospital with a 25-bed public hospital and a 38-bed nursing care center which was closed in April of 2015, governed by a nine member Board of Trustees located in Morrison, Illinois. Morrison Community Hospital District serves the citizens of the greater Whiteside County area and particularly the residents of Morrison, Illinois.

The Morrison Community Hospital Foundation (Foundation) is a legally separate, tax-exempt, component unit of Morrison Community Hospital District presented on a blended basis. The Foundation was formed to promote, encourage or foster any activity which will promote the health and well-being of people in the Morrison, Illinois area. A majority of the Board of Directors of the Foundation is appointed by the Hospital and although the Hospital does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds are contributed to the Hospital. Because the Hospital appoints the majority of the Board of Directors of the Foundation and the resources held by the Foundation are for the benefit of the Hospital, the Foundation is considered a component unit of the Hospital and is presented in the Organization's financial statements as a blended component unit.

The Hospital and Foundation are collectively referred to as the Organization.

Overview of Financial Statements

The basic financial statements of the Organization report information using Governmental Accounting Standards Board (GASB) accounting principles. These statements offer short-term and long-term information about its activities.

The statements of net position provide information about the nature and amounts of the Organization's assets, liabilities, deferred inflows of resources and net position. The statement of net position as of June 30, 2016 indicates total assets of \$10,756,403, total liabilities of \$5,197,562, total deferred inflows of resources of \$546,000 and net position of \$5,012,841.

The statements of activities provide information on the Organization's revenue and expenses. These statements indicate total operating revenue of \$11,690,749 and total operating expenses of \$12,766,117 during fiscal year 2016. The operating loss was \$1,075,368 in 2016, compared to an operating loss of \$842,601 in 2015.

The statements of cash flows provide information about the Organization's cash from operating, noncapital financing, capital and related financing and investing activities. As reported in these statements, cash and cash equivalents increased from \$1,221,345 as of June 30, 2015 to \$1,227,055 as of June 30, 2016.

There are ten notes to the financial statements included in the audit report. There are also several supplementary schedules that provide the reader detail about the source of the Organization's revenue and expenses. The reader is encouraged to examine these notes and schedules for additional information.

Morrison Community Hospital District

Management's Discussion and Analysis Years Ended June 30, 2016 and 2015

Financial Highlights

- The Organization's total assets decreased by \$355,549 or 3.2 percent from June 30, 2015 to June 30, 2016 and increased by \$1,706,537 or 18.1 percent from June 30, 2014 to June 30, 2015.
- The Organization's assets exceeded liabilities by \$5,558,841 and \$5,486,676 as of June 30, 2016 and 2015, respectively.
- During the year ended June 30, 2016, the Organization's total operating revenue decreased approximately 2.3 percent to \$11,690,749 while the operating expenses decreased approximately 0.4 percent to \$12,766,117.
- The Organization made capital investments totaling \$374,651 during the fiscal year. The source of funding for these items was derived from notes payable and cash from operations.

Condensed Statements of Activities

A summary version of the Statements of Activities for the years ended June 30, 2016, 2015 and 2014 follows:

	Year Ended June 30,		
	2016	2015	2014
Net patient revenue	\$ 11,508,609	\$ 11,199,179	\$ 10,517,958
Other operating revenue	182,140	772,801	306,688
Total operating revenue	11,690,749	11,971,980	10,824,646
Nonoperating revenue	1,124,033	1,118,698	1,082,249
Total revenue	12,814,782	13,090,678	11,906,895
Expenses:			
Salaries, wages and employee benefits	7,755,073	7,768,067	6,823,275
Supplies and other	3,723,559	3,903,668	3,899,310
Depreciation	792,016	698,577	530,388
Insurance	383,451	350,999	282,188
Interest	112,018	93,270	143,041
Total operating expenses	12,766,117	12,814,581	11,678,202
Change in net position	48,665	276,097	228,693
Net position:			
Beginning	4,964,176	4,688,079	4,459,386
Ending	<u>\$ 5,012,841</u>	<u>\$ 4,964,176</u>	<u>\$ 4,688,079</u>

Morrison Community Hospital District

Management's Discussion and Analysis Years Ended June 30, 2016 and 2015

Operations

Year Ended June 30, 2016: For fiscal year 2016, patient volumes were above budget for acute and below budget for observation and swing bed. Clinic volumes were below budget for both Family Care Clinic and Specialty Clinic. Outpatient volumes varied with some areas above budget and some areas below budget. While overall volumes were under budget for year, operating expenses were also below budget due to conservative spending.

Year Ended June 30, 2015: Patient volumes for fiscal year 2015 were below budget for swing bed and observation and above budget for acute and nursing home. Volumes for the clinics, both Family Care and Specialty, were below budget for fiscal year 2015. Outpatient volumes varied with some areas above budget and some areas below budget. Although overall volumes were slightly above budget, operating expenses were well below budget, again, due to conservative spending.

Condensed Statements of Net Position

Condensed versions of the statements of net position as of June 30, 2016, 2015 and 2014 are as follows:

	June 30,		
	2016	2015	2014
Assets			
Current assets	\$ 5,302,508	\$ 5,265,076	\$ 4,471,110
Assets limited as to use, noncurrent	182,001	157,617	594,284
Capital assets, net	5,271,894	5,689,259	4,340,021
Total assets	<u>\$ 10,756,403</u>	<u>\$ 11,111,952</u>	<u>\$ 9,405,415</u>
Liabilities, Deferred Inflows of Resources and Net Position			
Liabilities:			
Current liabilities	\$ 2,226,991	\$ 2,295,503	\$ 1,284,464
Long-term debt, less current maturities	2,970,571	3,329,773	2,937,872
Total liabilities	<u>5,197,562</u>	<u>5,625,276</u>	<u>4,222,336</u>
Deferred inflows of resources	<u>546,000</u>	<u>522,500</u>	<u>495,000</u>
Net position:			
Invested in capital assets, net of related debt	1,293,344	1,351,490	1,199,045
Unrestricted	3,648,201	3,564,950	3,288,715
Restricted	71,296	47,736	200,319
Total net position	<u>\$ 10,756,403</u>	<u>\$ 11,111,952</u>	<u>\$ 9,405,415</u>

Morrison Community Hospital District

Management's Discussion and Analysis Years Ended June 30, 2016 and 2015

June 30, 2016: Total assets decreased by \$355,549. Net patient receivables increased by \$74,497. Third-party payor settlements related to Medicare cost report shifted from a \$264,000 receivable in the prior year to a \$110,000 receivable in fiscal year 2016. Total liabilities decreased by \$427,714 primarily due to the paydown of debt and a decrease in accounts payable. Net position increased by \$48,665 in 2016 compared to an increase of \$276,079 in the prior year. The change is due to an increase in the net operating loss for fiscal year 2016.

June 30, 2015: Total assets increased by \$1,706,537. Net patient receivables increased by \$653,547. Third-party payor settlements related to Medicare cost report shifted from a \$260,000 payable in the prior year to a \$264,000 receivable in fiscal year 2015, impacting both total assets and total liabilities. Total liabilities increased by \$1,402,940 primarily due to the addition of debt and the increase in accounts payable. Net position increased by \$276,097 due to the overall net income for fiscal year 2015.

Condensed Statements of Cash Flows

Condensed versions of the Statements of Cash Flows for the years ended June 30, 2016, 2015 and 2014 are as follows:

	Year Ended June 30,		
	2016	2015	2014
Cash provided by (used in) operating activities	\$ (240,798)	\$ (934,371)	\$ 6,256
Cash provided by noncapital financing activities	1,084,585	1,149,594	1,043,730
Cash (used in) capital and related financing activities	(847,193)	(815,850)	(817,982)
Cash provided by investing activities	9,116	6,419	38,769
Net increase (decrease) in cash	5,710	(594,208)	270,773
Cash and cash equivalents:			
Beginning	1,221,345	1,815,553	1,544,780
Ending	\$ 1,227,055	\$ 1,221,345	\$ 1,815,553

Year Ended June 30, 2016: Total cash and cash equivalents increased slightly by \$5,710 due to the following reasons: 1) cash used in operating activities of \$240,798 was primarily the result of the loss from operations, 2) cash provided by noncapital financing activities of \$1,084,585 was primarily the result of the tax revenue and contributions received during the year and 3) cash used in capital and related financing activities of \$847,193 was primarily the result of purchase of capital assets and the regular paydown of principal and interest on long-term debt.

Year Ended June 30, 2015: Total cash and cash equivalents decreased by \$594,208 due to the following reasons: 1) cash used in operating activities was \$934,371 primarily the result of increased salaries due to the addition of providers and support staff, 2) cash provided by noncapital financing activities was \$1,149,594 primarily the result of the tax revenue and contributions received during the year and 3) cash used in capital and related financing activities was \$815,850 primarily the result of capital expenditures and additional borrowings partially offset by the paydown of principal and interest on existing debt.

Morrison Community Hospital District

Management's Discussion and Analysis Years Ended June 30, 2016 and 2015

Capital Assets

Capital assets as of June 30, 2016, 2015 and 2014 consist of the following:

	June 30,		
	2016	2015	2014
Capital assets not being depreciated:			
Land	\$ 21,657	\$ 210,147	\$ 21,657
Construction in progress	39,741	647,726	487,825
Capital assets net of depreciation:			
Land improvements	94,128	92,815	102,927
Building and improvements	4,014,696	3,273,902	3,001,770
Equipment	756,222	1,001,993	676,104
Equipment under lease	345,450	462,676	49,738
Total capital assets, net	\$ 5,271,894	\$ 5,689,259	\$ 4,340,021

June 30, 2016: Construction in progress decreased by \$607,985 due to the completion of projects for the life safety upgrades in the facility; there was also a \$379,110 increase in capital assets net of depreciation due to completion of life safety facility upgrades and normal depreciation taken for the year.

June 30, 2015: Construction in progress increased by \$159,901 due to the completion of projects for, and the addition of, ongoing life safety upgrades; there was also a \$1,000,847 increase in capital assets net of depreciation due primarily to life safety facility upgrades.

Long-Term Debt

June 30, 2016: The Organization had \$3,978,550 of outstanding debt as of June 30, 2016 compared to \$4,337,769 outstanding as of June 30, 2015. The decrease of debt is due to regularly scheduled principal paydown.

June 30, 2015: The Organization had \$4,337,769 of outstanding debt as of June 30, 2015 compared to \$3,140,976 outstanding as of June 30, 2014. The increase of debt is due to the addition of debt for facility upgrades offset by regularly scheduled principal paydown.

Economic Factors

Year Ended June 30, 2016: As in previous years, the Organization continues to see the positive impact of Critical Access Hospital status. The focus of the facility continues to be on further establishing and expanding primary care and specialty services to the community. The facility continues to concentrate on expanding services in the swing bed area as well as focusing on continued health care reform and Electronic Medical Record enhancements to meet future measures and requirements.

Year Ended June 30, 2015: As in previous years, the Organization continues to see the positive impact of Critical Access Hospital status and the Illinois Medicaid outpatient reimbursement enhancement on some outpatient services. The focus of the facility continues to be on further establishing and expanding primary care and specialty care services that will enhance ancillary services. The facility continues to concentrate on expanding services in the swing bed area as well as focusing on continued health care reform and Electronic Medical Record enhancements to meet future measures and requirements.

Morrison Community Hospital District

**Management's Discussion and Analysis
Years Ended June 30, 2016 and 2015**

Financial Information Contact

The Organization's financial statements are designed to provide a general overview of the Organization's finances for all those with an interest in the Organization's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the CEO of Morrison Community Hospital District at 303 North Jackson Street, Morrison, Illinois 61270.

Morrison Community Hospital District

**Statements of Net Position
June 30, 2016 and 2015**

	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,045,054	\$ 1,063,728
Receivables:		
Patient and resident, net	2,691,186	2,585,689
Property taxes receivable	455,496	425,164
Succeeding year property tax receivable	546,000	522,500
Other	23,964	33,983
Inventories	216,916	200,201
Prepaid expenses	214,175	169,811
Estimated third-party payor settlements	109,717	264,000
Total current assets	5,302,508	5,265,076
Assets limited as to use:		
Board designated for capital improvements and debt redemption	110,705	109,881
Restricted by donor	71,296	47,736
	182,001	157,617
Capital assets:		
Nondepreciable	61,398	857,873
Depreciable, net	5,210,496	4,831,386
	5,271,894	5,689,259
	\$ 10,756,403	\$ 11,111,952

See notes to basic financial statements.

	2016	2015
Liabilities, Deferred Inflows of Resources and Net Position		
Current liabilities:		
Current maturities of long-term debt	\$ 1,007,979	\$ 1,007,996
Accounts payable	576,516	653,816
Accrued expenses:		
Salaries and wages	359,436	287,199
Compensated absences	239,311	190,147
Payroll taxes and other	43,749	156,345
Total current liabilities	2,226,991	2,295,503
Long-term debt, less current maturities	2,970,571	3,329,773
Total liabilities	5,197,562	5,625,276
Deferred inflows of resources, revenue for succeeding year property taxes	546,000	522,500
Commitments and contingencies (Note 8)		
Net position:		
Invested in capital assets, net of related debt	1,293,344	1,351,490
Unrestricted	3,648,201	3,564,950
Restricted	71,296	47,736
Total net position	5,012,841	4,964,176
	\$ 10,756,403	\$ 11,111,952

Morrison Community Hospital District

Statements of Activities

Years Ended June 30, 2016 and 2015

	2016	2015
Operating revenue:		
Net patient and resident service revenue	\$ 11,508,609	\$ 11,199,179
Other operating revenue	182,140	772,801
Total operating revenue	11,690,749	11,971,980
Operating expenses:		
Salaries and wages	6,461,127	6,513,246
Employee benefits	1,293,946	1,254,821
Supplies and other	3,723,559	3,903,668
Depreciation	792,016	698,577
Insurance	383,451	350,999
Interest	112,018	93,270
Total operating expenses	12,766,117	12,814,581
Loss from operations	(1,075,368)	(842,601)
Nonoperating revenue:		
County tax revenue	1,039,905	995,810
State replacement tax revenue	74,908	93,234
Contributions and other	104	23,235
Investment income	9,116	6,419
	1,124,033	1,118,698
Change in net position	48,665	276,097
Net position:		
Beginning	4,964,176	4,688,079
Ending	\$ 5,012,841	\$ 4,964,176

See notes to basic financial statements.

Morrison Community Hospital District

Statements of Cash Flows

Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Cash received from patients and third-party payors	\$ 11,557,395	\$ 10,641,632
Payments to employees	(7,742,963)	(7,634,444)
Payments to suppliers and others	(4,247,389)	(4,083,753)
Other receipts and payments, net	192,159	142,194
Net cash used in operating activities	(240,798)	(934,371)
Cash flows from noncapital financing activities:		
Tax revenue	1,084,481	1,126,359
Contributions	104	23,235
Net cash provided by noncapital financing activities	1,084,585	1,149,594
Cash flows from capital and related financing activities:		
Purchase of capital assets	(372,651)	(1,471,896)
Borrowings on line of credit	110,000	610,000
Borrowings on long-term debt	-	400,000
Principal payments on long-term debt	(469,219)	(260,163)
Interest paid on debt	(115,323)	(93,791)
Net cash used in capital and related financing activities	(847,193)	(815,850)
Cash flows provided by investing activities, investment income	9,116	6,419
Net increase (decrease) in cash and cash equivalents	5,710	(594,208)
Cash and cash equivalents:		
Beginning, including assets limited as to use 2015 \$157,617; 2014 \$594,284	1,221,345	1,815,553
Ending, including assets limited as to use 2016 \$182,001; 2015 \$157,617	\$ 1,227,055	\$ 1,221,345

(Continued)

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Morrison Community Hospital District

Statements of Cash Flows (Continued)
Years Ended June 30, 2016 and 2015

	2016	2015
Reconciliation of operating (loss) to net cash used in operating activities:		
Loss from operations	\$ (1,075,368)	\$ (842,601)
Adjustments to reconcile loss from operations to net cash used in operating activities:		
Depreciation	792,016	698,577
Interest expense	112,018	93,270
Changes in assets and liabilities:		
Receivables	(95,478)	(664,154)
Inventories	(16,715)	12,006
Prepaid expenses	(44,364)	(45,174)
Accounts payable and accrued expenses	(67,190)	337,705
Estimated third-party payor settlements	154,283	(524,000)
Net cash used in operating activities	\$ (240,798)	\$ (934,371)
Noncash capital and related financing activities:		
Capital lease obligation incurred for acquisition of equipment	\$ -	\$ 446,956
Increase in accounts payable related to construction in progress	\$ 2,000	\$ 128,963

See notes to basic financial statements.

Morrison Community Hospital District

Notes to Basic Financial Statements

Note 1. Nature of Business and Significant Accounting Policies

Financial reporting entity and nature of operations:

Reporting entity: Morrison Community Hospital District (Hospital) is a 25-bed public hospital and a 38-bed nursing care center which was closed in April of 2015, governed by a nine member Board of Trustees. The Hospital is located in Morrison, Illinois and serves Morrison and surrounding areas. The Hospital is designated as a Critical Access Hospital (CAH) by Medicare.

Blended component unity: Morrison Community Hospital Foundation (Foundation) is a legally separate, tax-exempt corporation formed to promote, encourage or foster any activity which will promote the health and well-being of people in the Morrison, Illinois area. The Foundation is a 501(c)(3) not-for-profit organization with a fiscal year ending on June 30. The Hospital has determined the Foundation should be presented as a blended component unit as the Hospital appoints the voting majority of the Foundation's Board of Directors and the Foundation has a specific financial benefit or burden to the Hospital. Accordingly, the Foundation represents a blended component unit of the Hospital.

Presented below are condensed financial statements for the Hospital and the Foundation:

Condensed Statement of Net Position June 30, 2016

	Hospital	Foundation	Eliminations	Total (Memorandum Only)
Assets				
Current assets	\$ 5,292,954	\$ 9,554	\$ -	\$ 5,302,508
Assets limited as to use	110,705	71,296	-	182,001
Capital assets, net	5,271,894	-	-	5,271,894
Total assets	\$ 10,675,553	\$ 80,850	\$ -	\$ 10,756,403
Liabilities, Deferred Inflows of Resources and Net Position				
Liabilities:				
Current liabilities	\$ 2,226,991	\$ -	\$ -	\$ 2,226,991
Long-term debt, less current maturities	2,970,571	-	-	2,970,571
Total liabilities	5,197,562	-	-	5,197,562
Deferred inflows of resources	546,000	-	-	546,000
Net position:				
Net investment in capital assets	1,293,344	-	-	1,293,344
Unrestricted	3,638,647	9,554	-	3,648,201
Restricted	-	71,296	-	71,296
Total net position	4,931,991	80,850	-	5,012,841
	\$ 10,675,553	\$ 80,850	\$ -	\$ 10,756,403

Morrison Community Hospital District

Notes to Basic Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Condensed Statement of Net Position June 30, 2015

	Hospital	Foundation	Eliminations	Total (Memorandum Only)
Assets				
Current assets	\$ 5,255,711	\$ 9,365	\$ -	\$ 5,265,076
Assets limited as to use	109,881	47,736	-	157,617
Capital assets, net	5,689,259	-	-	5,689,259
Total assets	<u>\$ 11,054,851</u>	<u>\$ 57,101</u>	<u>\$ -</u>	<u>\$ 11,111,952</u>
Liabilities, Deferred Inflows of Resources and Net Position				
Liabilities:				
Current liabilities	\$ 2,295,503	\$ -	\$ -	\$ 2,295,503
Long-term debt, less current maturities	3,329,773	-	-	3,329,773
Total liabilities	<u>5,625,276</u>	<u>-</u>	<u>-</u>	<u>5,625,276</u>
Deferred inflows of resources	<u>522,500</u>	<u>-</u>	<u>-</u>	<u>522,500</u>
Net position:				
Net investment in capital assets	1,351,490	-	-	1,351,490
Unrestricted	3,555,585	9,365	-	3,564,950
Restricted	-	47,736	-	47,736
Total net position	<u>4,907,075</u>	<u>57,101</u>	<u>-</u>	<u>4,964,176</u>
	<u>\$ 11,054,851</u>	<u>\$ 57,101</u>	<u>\$ -</u>	<u>\$ 11,111,952</u>

Condensed Statement of Activities Year Ended June 30, 2016

	Hospital	Foundation	Eliminations	Total (Memorandum Only)
Total operating revenue	\$ 11,642,633	\$ 48,116	\$ -	\$ 11,690,749
Operating expenses, before depreciation	11,962,964	11,137	-	11,974,101
Depreciation	792,016	-	-	792,016
Total operating expenses	<u>12,754,980</u>	<u>11,137</u>	<u>-</u>	<u>12,766,117</u>
Income (loss) from operations	(1,112,347)	36,979	-	(1,075,368)
Nonoperating revenue (expenses), net	<u>1,137,263</u>	<u>(13,230)</u>	<u>-</u>	<u>1,124,033</u>
Change in net position	<u>24,916</u>	<u>23,749</u>	<u>-</u>	<u>48,665</u>
Net position:				
Beginning	4,907,075	57,101	-	4,964,176
Ending	<u>\$ 4,931,991</u>	<u>\$ 80,850</u>	<u>\$ -</u>	<u>\$ 5,012,841</u>

Morrison Community Hospital District

Notes to Basic Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

**Condensed Statement of Activities
Year Ended June 30, 2015**

	Hospital	Foundation	Eliminations	Total (Memorandum Only)
Total operating revenue	\$ 11,900,195	\$ 71,785	\$ -	\$ 11,971,980
Operating expenses, before depreciation	12,073,319	42,685	-	12,116,004
Depreciation	698,577	-	-	698,577
Total operating expenses	12,771,896	42,685	-	12,814,581
Income (loss) from operations	(871,701)	29,100	-	(842,601)
Nonoperating revenue (expenses), net	1,296,197	(177,499)	-	1,118,698
Change in net position	424,496	(148,399)	-	276,097
Net position:				
Beginning	4,482,579	205,500	-	4,688,079
Ending	\$ 4,907,075	\$ 57,101	\$ -	\$ 4,964,176

**Condensed Statement of Cash Flows
Year Ended June 30, 2016**

	Hospital	Foundation	Eliminations	Total (Memorandum Only)
Operating activities	\$ (276,668)	\$ 35,870	\$ -	\$ (240,798)
Capital and related financing activities	(833,774)	(13,419)	-	(847,193)
Noncapital financing activities	1,084,585	-	-	1,084,585
Investing activities	8,927	189	-	9,116
Net increase (decrease) in cash and cash equivalents	(16,930)	22,640	-	5,710
Cash and cash equivalents:				
Beginning of the year	1,164,384	56,961	-	1,221,345
End of the year	\$ 1,147,454	\$ 79,601	\$ -	\$ 1,227,055

**Condensed Statement of Cash Flows
Year Ended June 30, 2015**

	Hospital	Foundation	Eliminations	Total (Memorandum Only)
Operating activities	\$ (933,101)	\$ (1,270)	\$ -	\$ (934,371)
Capital and related financing activities	(657,850)	(158,000)	-	(815,850)
Noncapital financing activities	1,149,594	-	-	1,149,594
Investing activities	5,918	501	-	6,419
Net decrease in cash and cash equivalents	(435,439)	(158,769)	-	(594,208)
Cash and cash equivalents:				
Beginning of the year	1,599,823	215,730	-	1,815,553
End of the year	\$ 1,164,384	\$ 56,961	\$ -	\$ 1,221,345

Morrison Community Hospital District

Notes to Basic Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Significant accounting policies:

Accrual basis of accounting: The accrual basis of accounting is used by the Organization. Under the accrual basis of accounting, revenue is recognized when earned and expenses are recognized when the liability has been incurred. Under this basis of accounting, all assets and liabilities associated with the operation of the Organization are included in the statements of net position.

Accounting standards: These financial statements have been prepared in accordance with the Governmental Accounting Standards Board (GASB) codification (GASB Cod.). The financial statements of the component unit are also prepared in accordance with the GASB codification, as it was established for the direct benefit of the Organization.

Accounting estimates: The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents: For purposes of reporting cash flows, cash and cash equivalents include cash and temporary cash investments that have a maturity of three months or less at date of acquisition.

Patient and resident receivables: Patient and resident receivables, where a third-party payor is responsible for paying the amount, are carried at a net amount determined by the original charge for the service provided, less an estimate made for contractual adjustments or discounts provided to third-party payors.

Patient and resident receivables due from patients are carried at the original charge for the service provided less amounts covered by third-party payors and less an estimated allowance for doubtful accounts based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts, by historical experience applied to an aging of accounts and by considering the patient's financial history, credit history and current economic conditions. The Hospital does not charge interest on patient and resident receivables. Patient and resident receivables are written off as bad debt expense when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of bad debt expense when received.

Receivables or payables related to estimated settlements on various risk contracts that the Hospital participates in are reported as third-party payor receivables or payables.

The Hospital's allowance for doubtful accounts for self-pay patients increased from 37 percent of self-pay accounts receivable at June 30, 2015, to 57 percent of self-pay accounts receivable at June 30, 2016. In addition, the Hospital's self-pay write-offs increased approximately \$48,000 from \$1,041,000 for fiscal year 2015 to \$1,089,000 for fiscal year 2016. The increase in the write-offs was due to the increase in the self-pay payor mix through the year and the increase in the allowance was due to decline in the collection from and a payment lag within self-pay patient accounts. The Hospital has not changed its charity care or uninsured discount policies during fiscal years 2015 or 2016.

Morrison Community Hospital District

Notes to Basic Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Tax revenue: The Hospital is a special taxing district which allows it to levy and appropriate property taxes within the taxing district. Tax revenue is recognized as follows:

Property taxes: Property taxes are recognized as a receivable at the time they are levied. Property taxes receivable as of June 30, 2016 represent the uncollected portion of the 2015 levy. Property taxes are certified in December and attached as an enforceable lien on the property as of the preceding January 1. These taxes become due and collectible in June, August, September and November and are collected by the county collector, who in turn remits to the Hospital its respective share. The succeeding year property tax receivable represents an estimate of the 2016 levy, applicable to the fiscal year ended June 30, 2016. Property taxes that are not available for current year operations are shown as deferred inflows of resources on the accompanying statements of net position.

Personal property replacement taxes: The state law mandates that the personal property replacement tax is to be first applied toward payment of the proportionate amount of debt service previously paid from personal property tax levies.

After debt service obligations are satisfied, any remaining monies can be used for the general operating purposes of the Hospital. The Hospital recognizes revenue from the personal property replacement tax when it becomes measurable and available.

Inventories: Inventories are stated at the lower of cost (first-in, first-out method) or market.

Assets limited as to use: The Organization's assets limited as to use include assets set aside by the Board of Trustees for future capital improvements and debt redemption, over which the Board retains control and may, at its discretion, subsequently use for other purposes and donor-restricted assets, which are to be used for their respective donor-imposed restriction. The assets limited as to use consist of certificates of deposit and cash totaling \$182,001 and \$157,617 as of June 30, 2016 and 2015, respectively. The certificates of deposit are recorded at cost, which management believes approximates fair value.

Capital assets: Capital assets are carried at cost or fair value if donated. Assets under capital lease obligations are depreciated over the shorter of the lease term or their respective estimated useful lives. Amortization on assets under capital leases is included with depreciation expense on owned capital assets. Depreciation is computed by the straight-line method over estimated useful lives as follows:

	Years
Land improvements	5 - 20
Buildings and improvements	5 - 40
Equipment	5 - 20

Interest expense related to construction of capital assets is capitalized. There was approximately none and \$5,000 capitalized interest for the years ended June 30, 2016 and 2015, respectively.

Donated supplies, investments and capital assets: Donated supplies, investments and capital assets are recorded at their fair value at date of donation, which is then treated as cost.

Compensated absences: Paid time off benefits are earned by employees of the Organization based on time of service. The Organization accrues paid time off benefits as earned as an expense and liability.

Morrison Community Hospital District

Notes to Basic Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Net patient and resident service revenue: Net patient and resident service revenue is reported at estimated net realizable amounts from patients, third-party payors and others as services are rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Operating income: The Organization distinguishes operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from the primary purpose of the Organization, which is to provide medical services to the area. Other operating revenue consists primarily of cafeteria and special meals, grant income and other miscellaneous services. Operating expenses consist primarily of salaries and benefits, supplies, insurance, depreciation and interest. All revenue and expenses not meeting these criteria are considered nonoperating.

Contributions: From time-to-time the Organization receives contributions from individuals and private organizations. Revenue from contributions (including contributions of capital assets) is recognized when all eligibility requirements, including time requirements, are met. Contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue.

Charity care: The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The Hospital maintains records to identify and monitor the level of charity care it provides. Gross patient and resident service revenue identified as charity care and not reported as revenue during the years ended June 30, 2016 and 2015 was approximately \$96,000 and \$24,000, respectively.

The Hospital estimates that the cost of providing the charity care was approximately \$81,000 and \$20,000 for the years ended June 30, 2016 and 2015, respectively. The estimated cost of providing the charity care is calculated by applying specific cost-to-charge ratios to the amount of charity care charges forgone.

Investment income: Interest income on cash and deposits is reported as nonoperating revenue.

Electronic health records incentive programs: The electronic health records incentive program, enacted as part of the American Recovery and Reinvestment Act of 2009, provides for incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records (EHR) technology. As a CAH, Medicare payments are received in one lump-sum payment. The final Medicare amount for any payment year is determined based upon an audit by the fiscal intermediary, and the hospital's inability to continue to meet future escalating criteria may impact overall reimbursement the hospital receives. Payments under the Medicaid program are generally made for up to four years based on a statutory formula. The Medicaid programs are determined on a state by state basis, which are approved by the Centers for Medicare and Medicaid Services. Payment under both programs are contingent on the hospital initially attesting to being a meaningful user of EHR technology and then continuing to meet escalating criteria, including other specific requirements that are applicable. Events could occur that would cause the final amounts to differ materially from the initial payments under the programs.

During the year ended June 30, 2015, the Hospital attested to being a meaningful user of EHR technology under both the Medicare and Medicaid programs, and recognized approximately \$620,000 of revenue related to the EHR incentive program, which is included in other operating revenue on the statement of operations. The EHR incentive program concluded in fiscal year 2015.

Morrison Community Hospital District

Notes to Basic Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Net position: Net position classifications are defined as follows:

Invested in capital assets, net of related debt – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of any bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted – This component of net position consists of constraints placed on net position through external constraints imposed by creditors (such as through debt agreements), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation, including amounts deposited as required by debt agreements. The Organization's restricted net position has been restricted by a grant agreement and by donors to be used for specific purposes.

Unrestricted – This component of net position consists of net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt", above.

Note 2. Net Patient and Resident Service Revenue

Approximately 76 percent and 85 percent of the Hospital's net patient and resident service revenue for the years ended June 30, 2016 and 2015, respectively, was earned under agreements with Medicare, Medicaid and Blue Cross. These agreements provide for reimbursement to the Hospital at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Hospital's established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with major third-party reimbursement programs follows:

Medicare: The Hospital is designated as a CAH. Under the CAH methodology, the Hospital is reimbursed for inpatient, outpatient and swing bed services based on a reasonable cost methodology at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audit by the third-party Medicare fiscal intermediary.

The Hospital's Medicare cost reports have been finalized by the Medicare fiscal intermediary through the year ended June 30, 2011.

Medicaid: Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Outpatient services related to Medicaid program beneficiaries are reimbursed on a fee schedule.

Nursing home: The Hospital was reimbursed for its nursing home resident services based on a prospectively determined rate per diem. The rate was determined on a cost-related basis subject to certain limitations as prescribed by the Illinois Department of Public Aid regulations.

Other payors: The Hospital has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the Hospital under these agreements may include prospectively determined rates and discounts from established charges.

Morrison Community Hospital District

Notes to Basic Financial Statements

Note 2. Net Patient and Resident Service Revenue (Continued)

A summary of net patient and resident service revenue for the years ended June 30, 2016 and 2015 is as follows:

	2016	2015
Gross patient and resident service revenue	\$ 17,350,709	\$ 16,011,220
Less discounts, allowances and estimated contractual adjustments under third-party reimbursement programs	(4,775,751)	(4,036,039)
Less provision for bad debts	(1,066,349)	(776,002)
Net patient and resident service revenue	<u>\$ 11,508,609</u>	<u>\$ 11,199,179</u>

Contractual adjustment expense for the years ended June 30, 2016 and 2015 includes the effect of a change in estimate of third-party payor settlements. The effect of this change in estimate is a decrease in contractual adjustment expense of approximately \$18,000 during the year ended June 30, 2016 and an increase in contractual adjustment expense of approximately \$80,000 for the year ended June 30, 2015. The changes in estimates are related to adjustments primarily based on final settlement of cost reports.

In December 2008, the Federal Centers for Medicare and Medicaid Services (CMS) approved the State of Illinois Medicaid Hospital Assessment Program. Under the Program, a hospital receives additional Medicaid reimbursement from the State and pays a related assessment. The Hospital's additional reimbursement for the years ended June 30, 2016 and 2015 was received and has been recorded in the accompanying financial statements. Total reimbursement revenue recognized by the Hospital related to this Program amounted to approximately \$11,000 and \$20,000 for the years ended June 30, 2016 and 2015, respectively, and is recorded as a reduction of contractual adjustment expense. As a governmental hospital, the Hospital did not incur any assessments related to this Program. The Program is effective through June 2018.

On October 1, 2013, CMS approved the Enhanced Hospital Assessment Program (Enhanced). Under this Enhanced program, which is retroactive to June 10, 2012, a hospital receives additional Medicaid reimbursement from the state and pays related assessments. Total reimbursement revenue recognized by the Hospital related to this program amounted to approximately \$30,000 and \$50,000 for the years ended June 30, 2016 and 2015, respectively, and is recorded as a reduction of contractual adjustment expense. The Enhanced program was effective through December 31, 2014.

In January 2015, the State of Illinois approved a new supplemental payment to hospitals for services provided to newly eligible Medicaid beneficiaries under the Affordable Care Act (ACA). The new supplemental payment was retroactive to March 1, 2014. Total reimbursement revenue recognized by the Hospital related to this program was approximately \$29,000 and \$16,000 for the years ended June 30, 2016 and 2015, respectively.

Morrison Community Hospital District

Notes to Basic Financial Statements

Note 3. Deposits and Assets Limited as to Use

As of June 30, 2016 and 2015, the Hospital had no investments.

Credit risk: State statutes authorize the Hospital to make deposits and investments in interest-bearing depository accounts in federally insured and/or state chartered banks and savings and loan associations, or other financial institutions as designated by ordinances, and to invest available funds in direct obligations of, or obligations guaranteed by, the U.S. Treasury or agencies of the United States, money market funds whose portfolios consist of government securities, and the Illinois Public Treasurers' Investment Pool. The Hospital's formal investment policy states that the Hospital is to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting daily cash flow demands of the Hospital and conforming to all state and local statutes governing the investment of public funds.

Custodial credit risk: Custodial credit risk is the risk that in event of a bank failure, the Hospital's deposits may not be returned to the Hospital. As of June 30, 2016, the combined bank balance of the Hospital's deposits in financial institutions totaled approximately \$1,266,000 of which all was insured and collateralized.

Note 4. Composition of Patient and Resident Receivables

Patient and resident receivables as of June 30, 2016 and 2015 consist of the following:

	2016	2015
Patients	\$ 4,728,186	\$ 4,019,689
Less:		
Estimated allowance for third-party contractual adjustments	1,080,000	778,000
Allowance for doubtful accounts	957,000	656,000
	<u>\$ 2,691,186</u>	<u>\$ 2,585,689</u>

Morrison Community Hospital District

Notes to Basic Financial Statements

Note 5. Capital Assets

A summary of capital assets as of June 30, 2016 and 2015 is as follows:

	June 30, 2015	Additions	Disposals	Transfers	June 30, 2016
Capital assets not being depreciated:					
Land	\$ 210,147	\$ -	\$ -	\$ (188,490)	\$ 21,657
Construction in progress	647,726	268,346	-	(876,331)	39,741
Total capital assets not being depreciated	857,873	268,346	-	(1,064,821)	61,398
Capital assets being depreciated:					
Land improvements	362,300	5,930	-	5,942	374,172
Building and improvements	8,326,398	58,797	-	976,559	9,361,754
Equipment	4,585,312	41,578	-	82,320	4,709,210
Equipment under lease	586,129	-	-	-	586,129
Total capital assets being depreciated	13,860,139	106,305	-	1,064,821	15,031,265
Less accumulated depreciation for:					
Land improvements	269,485	10,559	-	-	280,044
Building and improvements	5,052,496	294,562	-	-	5,347,058
Equipment	3,583,319	369,669	-	-	3,952,988
Equipment under lease	123,453	117,226	-	-	240,679
Total accumulated depreciation	9,028,753	792,016	-	-	9,820,769
Total capital assets being depreciated, net	4,831,386	(685,711)	-	1,064,821	5,210,496
Capital assets, net	\$ 5,689,259	\$ (417,365)	\$ -	\$ -	\$ 5,271,894
	June 30, 2014	Additions	Disposals	Transfers	June 30, 2015
Capital assets not being depreciated:					
Land	\$ 21,657	\$ 188,490	\$ -	\$ -	\$ 210,147
Construction in progress	487,825	1,247,271	-	(1,087,370)	647,726
Total capital assets not being depreciated	509,482	1,435,761	-	(1,087,370)	857,873
Capital assets being depreciated:					
Land improvements	362,300	-	-	-	362,300
Building and improvements	7,816,834	17,517	-	492,047	8,326,398
Equipment	4,294,010	127,781	(431,802)	595,323	4,585,312
Equipment under lease	119,373	466,756	-	-	586,129
Total capital assets being depreciated	12,592,517	612,054	(431,802)	1,087,370	13,860,139
Less accumulated depreciation for:					
Land improvements	259,373	10,112	-	-	269,485
Building and improvements	4,815,064	237,432	-	-	5,052,496
Equipment	3,617,906	397,215	(431,802)	-	3,583,319
Equipment under lease	69,635	53,818	-	-	123,453
Total accumulated depreciation	8,761,978	698,577	(431,802)	-	9,028,753
Total capital assets being depreciated, net	3,830,539	(86,523)	-	1,087,370	4,831,386
Capital assets, net	\$ 4,340,021	\$ 1,349,238	\$ -	\$ -	\$ 5,689,259

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Morrison Community Hospital District

Notes to Basic Financial Statements

Note 6. Long-Term Debt

Long-term debt activity as of and for the years ended June 30, 2016 and 2015 is as follows:

	June 30, 2015	Borrowings	Payments	June 30, 2016	Due Within One Year
Note payable, bank (A)	\$ 2,868,177	\$ -	\$ (171,045)	\$ 2,697,132	\$ 175,374
Note payable, bank (B)	22,098	-	(22,098)	-	-
Note payable, bank (C)	393,951	-	(80,669)	313,282	70,867
Line of credit, bank (D)	610,000	110,000	(65,000)	655,000	655,000
Capital lease obligation (E)	30,321	-	(27,893)	2,428	2,428
Capital lease obligation (F)	345,445	-	(75,370)	270,075	75,370
Capital lease obligation (G)	48,000	-	(23,263)	24,737	24,737
Capital lease obligation (H)	19,777	-	(3,881)	15,896	4,203
	<u>\$ 4,337,769</u>	<u>\$ 110,000</u>	<u>\$ (469,219)</u>	<u>\$ 3,978,550</u>	<u>\$ 1,007,979</u>

	June 30, 2014	Borrowings	Payments	June 30, 2015	Due Within One Year
Note payable, bank (A)	\$ 3,033,798	\$ -	\$ (165,621)	\$ 2,868,177	\$ 171,049
Note payable, bank (B)	51,062	-	(28,964)	22,098	22,098
Note payable, bank (C)	-	400,000	(6,049)	393,951	74,333
Line of credit, bank (D)	-	610,000	-	610,000	610,000
Capital lease obligation (E)	56,116	-	(25,795)	30,321	28,003
Capital lease obligation (F)	-	377,098	(31,653)	345,445	75,370
Capital lease obligation (G)	-	48,000	-	48,000	23,263
Capital lease obligation (H)	-	21,858	(2,081)	19,777	3,880
	<u>\$ 3,140,976</u>	<u>\$ 1,456,956</u>	<u>\$ (260,163)</u>	<u>\$ 4,337,769</u>	<u>\$ 1,007,996</u>

- (A) Note payable, due in monthly installments of \$22,260, including interest at 4.0 percent for the first 72 monthly installments. Thereafter, the interest rate will be adjusted every five years based on the prime rate less 1 percent, but in any event not to exceed 1.5 percent over the interest rate in effect at the time of the adjustment. The note matures in August 2029. Under terms of the loan agreement, the Hospital is subject to certain covenants, including the achievement of certain financial ratios.
- (B) Note payable, due in monthly installments of \$2,528 including interest at 3.54 percent paid in full in March 2016.
- (C) Note payable, due in monthly installments of \$7,323 including interest at 3.75 percent through May 2020, secured by equipment.
- (D) In May 2015, the Hospital entered into a line of credit which matured on May 1, 2016, and was extended to May 1, 2017. The total outstanding balance under this agreement cannot exceed \$1,000,000. Borrowings on the line of credit shall bear interest at 3.25 percent. The line of credit is secured by the receivables of the Hospital and subject to certain covenants, including the achievement of certain financial ratios.
- (E) Capital lease obligation, due in monthly installments of \$2,464 including interest at 8.75 percent through July 2016, secured by equipment with a depreciated cost of approximately \$2,000 as of June 30, 2016.
- (F) Capital lease obligation, due in monthly installments of \$6,281, including interest at 0.00 percent through January 2020, secured by equipment with a depreciated cost of approximately \$276,000 as of June 30, 2016.
- (G) Capital lease obligation, due in semi-annual installments of \$12,948 including interest at 6.18 percent through May 2017, secured by equipment with a depreciated cost of approximately \$52,000 as of June 30, 2016.
- (H) Capital lease obligation, due in monthly installments of \$443 including interest at 7.99 percent through November 2019, secured by equipment with a depreciated cost of approximately \$15,000 as of June 30, 2016.

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Morrison Community Hospital District

Notes to Basic Financial Statements

Note 6. Long-Term Debt (Continued)

The aggregate principal and interest maturities of long-term debt, including the line of credit and capital lease obligations, as of June 30, 2016 are approximately as follows:

	Notes Payable	
	Principal	Interest
Year ending June 30:		
2017	\$ 1,007,979	\$ 77,888
2018	339,879	69,216
2019	347,862	61,223
2020	314,312	53,068
2021	193,999	47,004
2022 - 2026	1,048,376	158,980
2027 - 2029	726,143	29,917
	<u>\$ 3,978,550</u>	<u>\$ 497,296</u>

The future minimum rental commitments payable as of June 30, 2016 on capital lease obligations are as follows:

Year ending June 30:	
2017	\$ 108,768
2018	80,666
2019	80,664
2020	46,213
2021	-
Total minimum lease payments	<u>316,311</u>
Less amount representing interest	<u>3,175</u>
Present value of net minimum lease payments	<u>\$ 313,136</u>

Total equipment rental expense for all operating leases for the years ended June 30, 2016 and 2015 was approximately \$135,000 and \$134,000, respectively.

Note 7. Retirement Plan

Effective July 1, 2006, the Hospital implemented a nonqualified deferred compensation plan for employees. The plan is administered under Section 457(b) of the Internal Revenue Code. This plan was frozen and the plan is no longer accepting employee elective deferrals. There was no employer contribution or matching provision under the 457(b) plan.

The Hospital also has a nonqualified deferred compensation plan for employees that is administered under Section 403(b) of the Internal Revenue Code. This plan was frozen on February 16, 2006. No new participants are eligible to join the plan, and the plan is no longer accepting employee elective deferrals effective February 16, 2006.

Effective August 1, 2009, the Hospital implemented a qualified deferred compensation plan for employees. The plan is administered under Section 457(b) of the Internal Revenue Code. The Hospital matched 3 percent of employees' contributions for the years ended June 30, 2016 and 2015. The matching contributions totaled approximately \$127,000 and \$120,000 for the years ended June 30, 2016 and 2015, respectively. Matching contributions are subject to a five year vesting requirement.

Morrison Community Hospital District

Notes to Basic Financial Statements

Note 8. Insurance and Contingent Liabilities

Worker's compensation: Through August 31, 2015 the Hospital was a participant in the Illinois Compensation Trust (ICT), an organization sponsored by the Illinois Hospital Association (IHA) to provide worker's compensation coverage to Illinois hospitals which are members of IHA. Effective August 31, 2015 participation in ICT was terminated by the Hospital, and the Hospital is no longer liable for any additional premiums nor for any losses incurred through August 31, 2015 as those will be covered by ICT. The Hospital incurred related expenses of approximately \$18,000 and \$107,000 for the years ended June 30, 2016 and 2015, respectively.

Effective September 1, 2015, the Hospital obtained commercial claims-made coverage. The Hospital incurred related expenses of approximately \$68,000 for the year ended June 30, 2016.

Professional and general liability insurance and litigation: The Hospital maintains professional liability and excess liability insurance covering occurrences on a claims-made basis, with a loss limit of \$1,000,000 per incident and a total limit of \$3,000,000. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The Hospital is involved in litigation arising in the ordinary course of business. It is the opinion of management, however, that the Hospital's malpractice insurance coverage is adequate to provide for potential losses resulting from pending or threatened litigation. Additional claims may be asserted against the Hospital arising from services provided to patients through June 30, 2016. The ultimate cost of resolution of such potential claims is not considered to be material and, accordingly, no accrual has been made for these costs. The Hospital has secured claims-made coverage through December 31, 2016.

The professional and general liability costs totaled approximately \$383,000 and \$351,000 for the years ended June 30, 2016 and 2015, respectively.

Health plan self-insurance: The Hospital is self-insured for its employee health insurance plan. The self-insured claims are processed through a Plan Administrator. The Hospital is responsible for the first \$45,000 of each individual claim and amounts over \$45,000 until the aggregate of the individual excess amounts exceeds \$55,000.

Liabilities are reported when it is probable that a loss will occur, and the amount of loss can be reasonably estimated. Claims liabilities are calculated considering recent claims, settlement trends, including frequency and amount of payouts and other economic and social factors and is included in accrued payroll taxes and other on the accompanying statements of net position. The following is a summary of estimated claims liability for the years ended June 30, 2016 and 2015:

	2016	2015
Balance, beginning	\$ 133,752	\$ 46,469
Claims expense	566,856	531,070
Claims paid	(676,632)	(443,787)
Balance, ending	<u>\$ 23,976</u>	<u>\$ 133,752</u>

Morrison Community Hospital District

Notes to Basic Financial Statements

Note 8. Insurance and Contingent Liabilities (Continued)

Laws and regulations: The health care industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not limited to, accreditation, licensure, government health care program participation requirements, reimbursement for patient services and Medicare and Medicaid fraud and abuse. Recently government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in exclusion from government health care program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received. While the Hospital is subject to similar regulatory reviews, management believes the outcome of any such regulatory review will not have a material adverse effect on the Hospital's financial position.

CMS RAC Program: Congress passed the Medicare Modernization Act in 2003, which among other things, established a demonstration of The Medicare Recovery Audit Contractor (RAC) program. The RACs identified and corrected a significant amount of improper overpayments to providers. In 2006, Congress passed the Tax Relief and Health Care Act of 2006 which authorized the expansion of the RAC program to all 50 states. The Hospital has been subject to such audits and may continue to be subject to additional audits at some time in the future.

Current economic conditions: Current economic conditions have made it difficult for certain patients of the Hospital to pay for services rendered. As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay and other payers may significantly impact net patient service revenue, which could have an adverse impact on the Hospital's future operating results. Further, the effect of economic conditions on the state may have an adverse effect on cash flows related to the Medicaid program.

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in allowances for accounts and receivables that could negatively impact the Hospital's ability to maintain sufficient liquidity.

Health care reform: As a result of recently added enacted federal health care reform legislation, substantial changes are anticipated in the United States health care system. Such legislation includes numerous provisions affecting the delivery of health care services, the financing of health care costs, reimbursement of health care providers and the legal obligations of health insurers, providers and employers. These provisions are currently slated to take effect at specified times over approximately the next decade.

Morrison Community Hospital District

Notes to Basic Financial Statements

Note 9. Concentration of Credit Risk

The Hospital grants credit without collateral to its patients and residents, most of whom are insured under third-party payor agreements. The mix of net receivables from third-party payors, patients and residents as of June 30, 2016 and 2015 was as follows:

	2016	2015
Medicare	20%	29%
Medicaid	20	25
Blue Cross	4	6
Other third-party payors	36	15
Patients	20	25
	100%	100%

Note 10. New Pronouncement

GASB Statement No. 72, *Fair Value Measurement and Application*, issued February 2015, became effective for the Organization with its year ending June 30, 2016. This Statement defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. This Statement defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments, which generally are measured at fair value, are defined as a security or other asset that governments hold primarily for the purpose of income or profit and the present service capacity of which are based solely on their ability to generate cash or to be sold to generate cash. The adoption of this standard had no material impact on the financial statements.

Morrison Community Hospital District

**Combining Statements of Net Position
June 30, 2016**

	Morrison Community Hospital District	Morrison Community Hospital Foundation	Eliminations	Combined
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,036,749	\$ 8,305	\$ -	\$ 1,045,054
Receivables:				
Patient and resident, net	2,691,186	-	-	2,691,186
Property taxes receivable	455,496	-	-	455,496
Succeeding year property tax receivable	546,000	-	-	546,000
Other	22,715	1,249	-	23,964
Inventories	216,916	-	-	216,916
Prepaid expenses	214,175	-	-	214,175
Estimated third-party payor settlements	109,717	-	-	109,717
Total current assets	5,292,954	9,554	-	5,302,508
Assets limited as to use:				
Board designated for capital improvements and debt redemption	110,705	-	-	110,705
Restricted by donor	-	71,296	-	71,296
	110,705	71,296	-	182,001
Capital assets:				
Nondepreciable	61,398	-	-	61,398
Depreciable, net	5,210,496	-	-	5,210,496
	5,271,894	-	-	5,271,894
	\$ 10,675,553	\$ 80,850	\$ -	\$ 10,756,403

	Morrison Community Hospital District	Morrison Community Hospital Foundation	Eliminations	Combined
Liabilities, Deferred Inflows of Resources and Net Position				
Current liabilities:				
Current maturities of long-term debt	\$ 1,007,979	\$ -	\$ -	\$ 1,007,979
Accounts payable	576,516	-	-	576,516
Accrued expenses:				
Salaries and wages	359,436	-	-	359,436
Compensated absences	239,311	-	-	239,311
Payroll taxes and other	43,749	-	-	43,749
Total current liabilities	2,226,991	-	-	2,226,991
Long-term debt, less current maturities	2,970,571	-	-	2,970,571
Total liabilities	5,197,562	-	-	5,197,562
Deferred inflows of resources, revenue for succeeding year property taxes	546,000	-	-	546,000
Commitments and contingencies				
Net position:				
Invested in capital assets, net of related debt	1,293,344	-	-	1,293,344
Unrestricted	3,638,647	9,554	-	3,648,201
Restricted	-	71,296	-	71,296
Total net position	4,931,991	80,850	-	5,012,841
	\$ 10,675,553	\$ 80,850	\$ -	\$ 10,756,403

Morrison Community Hospital District

**Combining Statements of Net Position
June 30, 2015**

	Morrison Community Hospital District	Morrison Community Hospital Foundation	Eliminations	Combined
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,054,503	\$ 9,225	\$ -	\$ 1,063,728
Receivables:				
Patient and resident, net	2,585,689	-	-	2,585,689
Property taxes receivable	425,164	-	-	425,164
Succeeding year property tax receivable	522,500	-	-	522,500
Other	33,843	140	-	33,983
Inventories	200,201	-	-	200,201
Prepaid expenses	169,811	-	-	169,811
Estimated third-party payor settlements	264,000	-	-	264,000
Total current assets	5,255,711	9,365	-	5,265,076
Assets limited as to use:				
Board designated for capital improvements and debt redemption	109,881	-	-	109,881
Restricted by donor	-	47,736	-	47,736
	109,881	47,736	-	157,617
Capital assets:				
Nondepreciable	857,873	-	-	857,873
Depreciable, net	4,831,386	-	-	4,831,386
	5,689,259	-	-	5,689,259
	\$ 11,054,851	\$ 57,101	\$ -	\$ 11,111,952

	Morrison Community Hospital District	Morrison Community Hospital Foundation	Eliminations	Combined
Liabilities, Deferred Inflows of Resources and Net Position				
Current liabilities:				
Current maturities of long-term debt	\$ 1,007,996	\$ -	\$ -	\$ 1,007,996
Accounts payable	653,816	-	-	653,816
Accrued expenses:				
Salaries and wages	287,199	-	-	287,199
Compensated absences	190,147	-	-	190,147
Payroll taxes and other	156,345	-	-	156,345
Total current liabilities	2,295,503	-	-	2,295,503
Long-term debt, less current maturities	3,329,773	-	-	3,329,773
Total liabilities	5,625,276	-	-	5,625,276
Deferred inflows of resources, revenue for succeeding year property taxes	522,500	-	-	522,500
Commitments and contingencies				
Net position:				
Invested in capital assets, net of related debt	1,351,490	-	-	1,351,490
Unrestricted	3,555,585	9,365	-	3,564,950
Restricted	-	47,736	-	47,736
Total net position	4,907,075	57,101	-	4,964,176
	\$ 11,054,851	\$ 57,101	\$ -	\$ 11,111,952

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Morrison Community Hospital District

**Combining Statement of Activities
Year Ended June 30, 2016**

	Morrison Community Hospital District	Morrison Community Hospital Foundation	Eliminations	Combined
Operating revenue:				
Net patient and resident service revenue	\$ 11,508,609	\$ -	\$ -	\$ 11,508,609
Other operating revenue	134,024	48,116	-	182,140
Total operating revenue	11,642,633	48,116	-	11,690,749
Operating expenses:				
Salaries and wages	6,461,127	-	-	6,461,127
Employee benefits	1,293,946	-	-	1,293,946
Supplies and other	3,712,422	11,137	-	3,723,559
Depreciation	792,016	-	-	792,016
Insurance	383,451	-	-	383,451
Interest	112,018	-	-	112,018
Total operating expenses	12,754,980	11,137	-	12,766,117
Income (loss) from operations	(1,112,347)	36,979	-	(1,075,368)
Nonoperating revenue (expense):				
County tax revenue	1,039,905	-	-	1,039,905
State replacement tax revenue	74,908	-	-	74,908
Contributions and other	13,523	(13,419)	-	104
Investment income	8,927	189	-	9,116
	1,137,263	(13,230)	-	1,124,033
Change in net position	24,916	23,749	-	48,665
Net position:				
Beginning	4,907,075	57,101	-	4,964,176
Ending	\$ 4,931,991	\$ 80,850	\$ -	\$ 5,012,841

Morrison Community Hospital District

**Combining Statement of Activities
Year Ended June 30, 2015**

	Morrison Community Hospital District	Morrison Community Hospital Foundation	Eliminations	Combined
Operating revenue:				
Net patient and resident service revenue	\$ 11,199,179	\$ -	\$ -	\$ 11,199,179
Other operating revenue	701,016	71,785	-	772,801
Total operating revenue	11,900,195	71,785	-	11,971,980
Operating expenses:				
Salaries and wages	6,513,246	-	-	6,513,246
Employee benefits	1,254,821	-	-	1,254,821
Supplies and other	3,860,983	42,685	-	3,903,668
Depreciation	698,577	-	-	698,577
Insurance	350,999	-	-	350,999
Interest	93,270	-	-	93,270
Total operating expenses	12,771,896	42,685	-	12,814,581
Income (loss) from operations	(871,701)	29,100	-	(842,601)
Nonoperating revenue (expense):				
County tax revenue	995,810	-	-	995,810
State replacement tax revenue	93,234	-	-	93,234
Contributions and other	201,235	(178,000)	-	23,235
Investment income	5,918	501	-	6,419
	1,296,197	(177,499)	-	1,118,698
Change in net position	424,496	(148,399)	-	276,097
Net position:				
Beginning	4,482,579	205,500	-	4,688,079
Ending	\$ 4,907,075	\$ 57,101	\$ -	\$ 4,964,176

Morrison Community Hospital District**Patient and Resident Service Revenue
Years Ended June 30, 2016 and 2015
(Hospital Only)**

	2016	2015
Routine services	\$ 1,399,537	\$ 1,514,069
Skilled nursing	-	812,812
Operating and recovery rooms	790,399	740,533
Medical supplies	41,412	84,680
Emergency services	2,002,441	1,271,120
Laboratory and blood bank	2,500,100	2,296,112
Electrocardiology	155,103	135,654
Radiology	2,161,500	1,762,541
Pharmacy	2,508,276	2,214,288
Anesthesiology	54,293	66,932
Respiratory therapy	439,222	504,822
Physical therapy	1,124,790	1,083,705
Speech therapy	29,806	46,020
Occupational therapy	587,938	681,759
Ambulance	653,606	643,701
Clinics	2,936,796	2,115,887
Wound care	61,801	60,759
	<u>17,447,020</u>	<u>16,035,394</u>
Less charity care	<u>96,311</u>	<u>24,174</u>
Total patient and resident service revenue *	\$ 17,350,709	\$ 16,011,220
* Total patient and resident service revenue, reclassified:		
Inpatient revenue	\$ 4,332,651	\$ 5,004,197
Outpatient revenue	13,114,369	11,031,197
	<u>17,447,020</u>	<u>16,035,394</u>
Less charity care	<u>96,311</u>	<u>24,174</u>
Total patient and resident service revenue	17,350,709	16,011,220
Contractual adjustments:		
Medicare	1,636,031	1,651,860
Medicaid	1,986,738	1,636,647
Other	1,152,982	747,532
Total contractual adjustments	4,775,751	4,036,039
Net patient and resident service revenue, before provision for bad debts	12,574,958	11,975,181
Provision for bad debts	<u>1,066,349</u>	<u>776,002</u>
Net patient and resident service revenue	\$ 11,508,609	\$ 11,199,179

Morrison Community Hospital District

Operating Expenses

Years Ended June 30, 2016 and 2015

(Hospital Only)

	2016		
	Total	Salaries and Wages	Supplies and Other Expenses
Nursing administration	\$ 69,741	\$ 69,248	\$ 493
Routine services	1,284,611	1,129,130	155,481
Skilled nursing	-	-	-
Operating and recovery rooms	193,184	64,805	128,379
Emergency services	1,739,323	472,873	1,266,450
Laboratory and blood bank	663,245	333,387	329,858
Radiology	308,088	239,479	68,609
Pharmacy	453,343	177,812	275,531
Anesthesiology	44,948	-	44,948
Respiratory therapy	35,713	238	35,475
Physical therapy	275,693	271,434	4,259
Speech therapy	8,082	8,082	-
Occupational therapy	203,727	202,285	1,442
Ambulance	82,645	54,121	28,524
Clinics	1,991,043	1,601,344	389,699
Wound Care	28,443	18,888	9,555
PAR	817	-	817
Social services	71,581	70,630	951
Medical records	256,468	222,301	34,167
Dietary	306,936	220,053	86,883
Plant operation and maintenance	474,373	126,013	348,360
Housekeeping	180,837	156,976	23,861
Laundry	26,670	-	26,670
Purchasing	35,825	35,531	294
Administrative services	1,357,054	908,623	448,431
Central Sterilization	76,123	73,207	2,916
Electrocardiology	5,036	4,667	369
	10,173,549	\$ 6,461,127	\$ 3,712,422
Depreciation	792,016		
Insurance	383,451		
Employee benefits	1,293,946		
Interest expense	112,018		
	<u>\$ 12,754,980</u>		

2015

Total	Salaries and Wages	Supplies and Other Expenses
\$ 120,027	\$ 117,814	\$ 2,213
1,247,656	1,143,707	103,949
527,416	510,554	16,862
196,844	36,679	160,165
1,112,331	429,709	682,622
639,882	328,690	311,192
307,252	233,663	73,589
405,675	128,416	277,259
44,173	-	44,173
37,597	519	37,078
254,038	252,759	1,279
13,026	13,026	-
192,473	191,082	1,391
106,930	69,987	36,943
2,244,691	1,277,152	967,539
24,085	14,175	9,910
938	-	938
69,029	68,763	266
245,678	213,382	32,296
308,665	197,318	111,347
538,092	162,587	375,505
204,412	174,314	30,098
34,819	-	34,819
51,477	47,567	3,910
1,383,839	841,572	542,267
54,988	52,349	2,639
8,196	7,462	734
10,374,229	\$ 6,513,246	\$ 3,860,983
698,577		
350,999		
1,254,821		
93,270		
<u>\$ 12,771,896</u>		



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Jackson, Mississippi 39201
601.455.1234 / info@farnsworth.com

Project: 158
1. DATE: 06/22/2018
2. DATE: 06/22/2018

158

35% INTERIM REVIEW
NOT FOR CONSTRUCTION

300 N. Jackson Street, North
Bldg.

Emergency
Department Addition
and Renovations

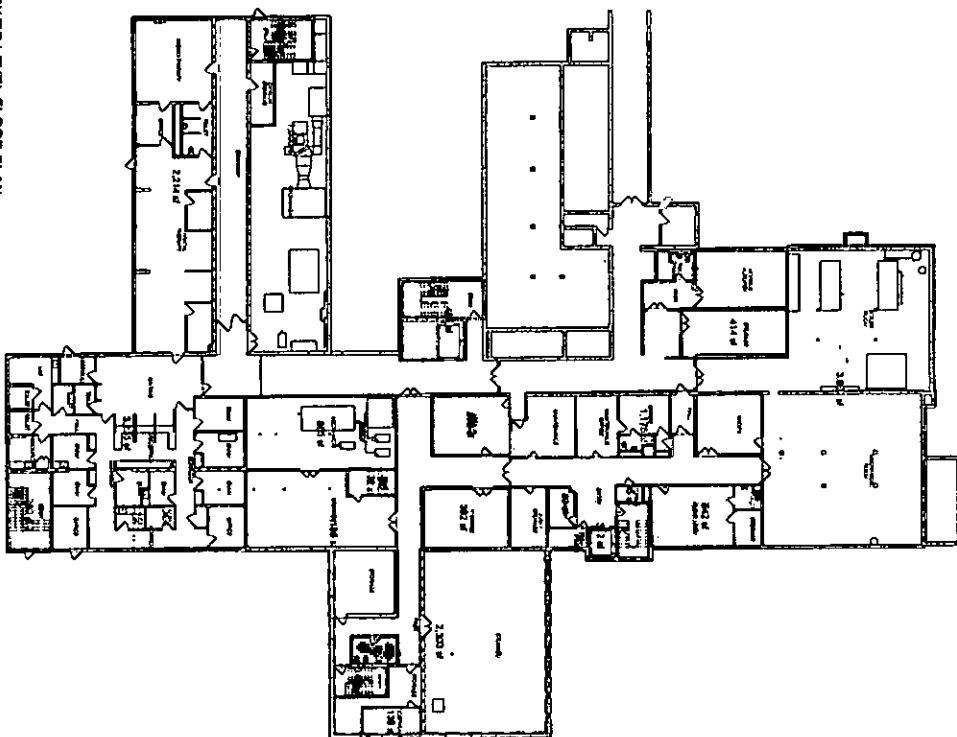
DATE: 06/22/2018
DESIGNED BY: BJS/ACR
DRAWN BY: BJS/ACR
REVIEWED BY: MCR/DGS

EXISTING OVERALL
LOWER LEVEL
FLOOR PLAN

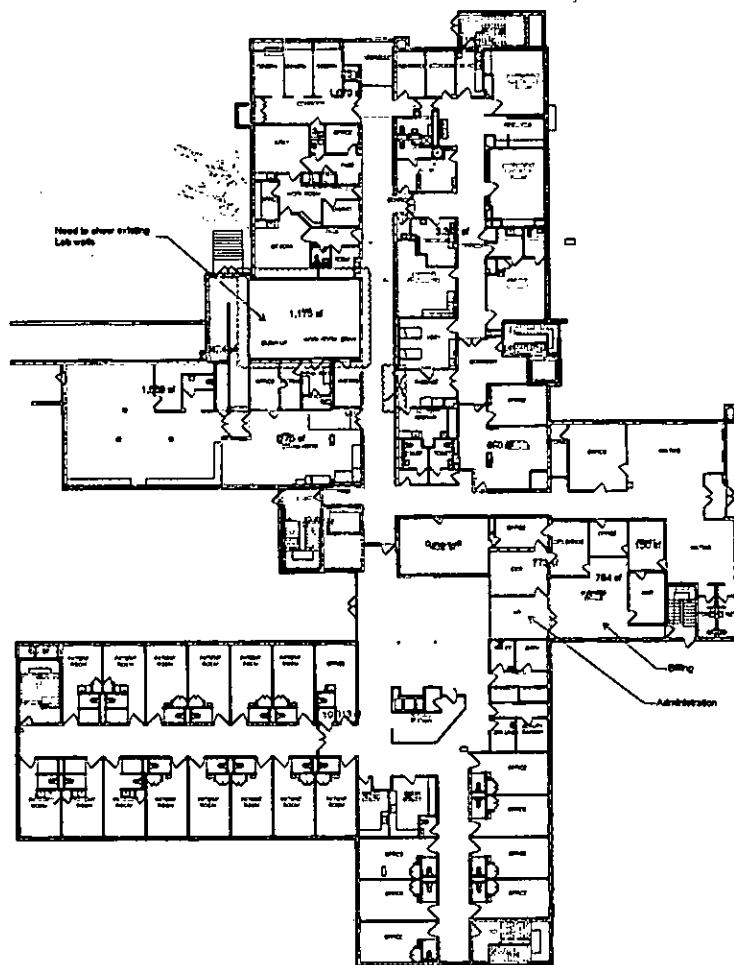
EX1.0

PROJECT NO.: 017008-00

1 EXISTING OVERALL LOWER LEVEL FLOOR PLAN
Scale: 1/8" = 1'-0"



159



1 EXISTING OVERALL FIRST FLOOR PLAN
Scale: 1/16" = 1'-0"



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DATE	DESCRIPTION

**35% INTERIM REVIEW
NOT FOR CONSTRUCTION**

Project:
Morton Community Hospital

**Emergency
Department Addition
and Renovations**

303 N. Jackson Street, Morton,
Illinois

DATE:	05/22/2018
DESIGNED:	BMF/MCR
DRAWN:	BMF/MCR
REVIEWED:	MCR/DOB

Sheet Title
**EXISTING OVERALL
FIRST FLOOR PLAN**

Sheet Number

EX1.1

PROJECT NO.: 0170036 00

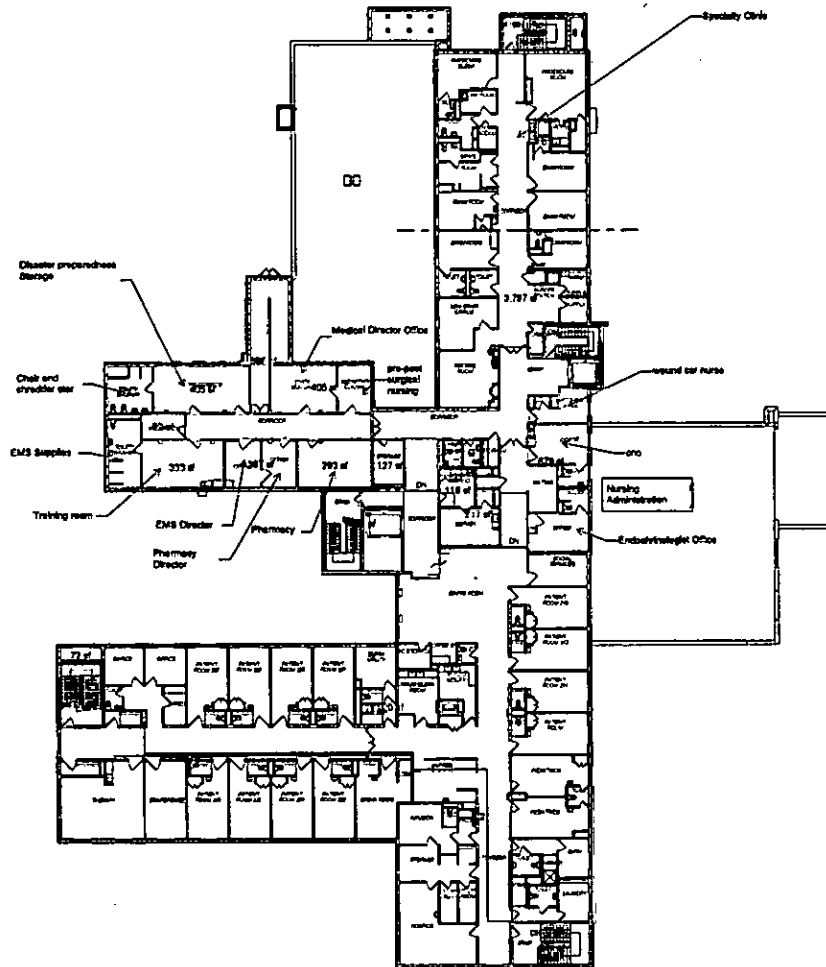


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NO.	DATE	DESCRIPTION
1	06/22/2016	EXISTING OVERALL SECOND FLOOR PLAN



35% INTERIM REVIEW
NOT FOR CONSTRUCTION

Morriston Community Hospital

Emergency Department Addition and Renovations

303 N Jackson Street, Morriston,
Illinois

DATE:	06/22/2016
DESIGNED:	BMF/MCR
DRAWN:	BMF/MCR
REVIEWED:	MCR/DGB

EXISTING OVERALL
SECOND FLOOR
PLAN

EX1.2

PROJECT NO.: 0170356.00

1 EXISTING OVERALL SECOND FLOOR PLAN

Scale: 1/8" = 1'-0"



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REV	DATE	DESCRIPTION

191

CON

PROPERTY
Monticello Community Hospital

**Additions and
Renovations**

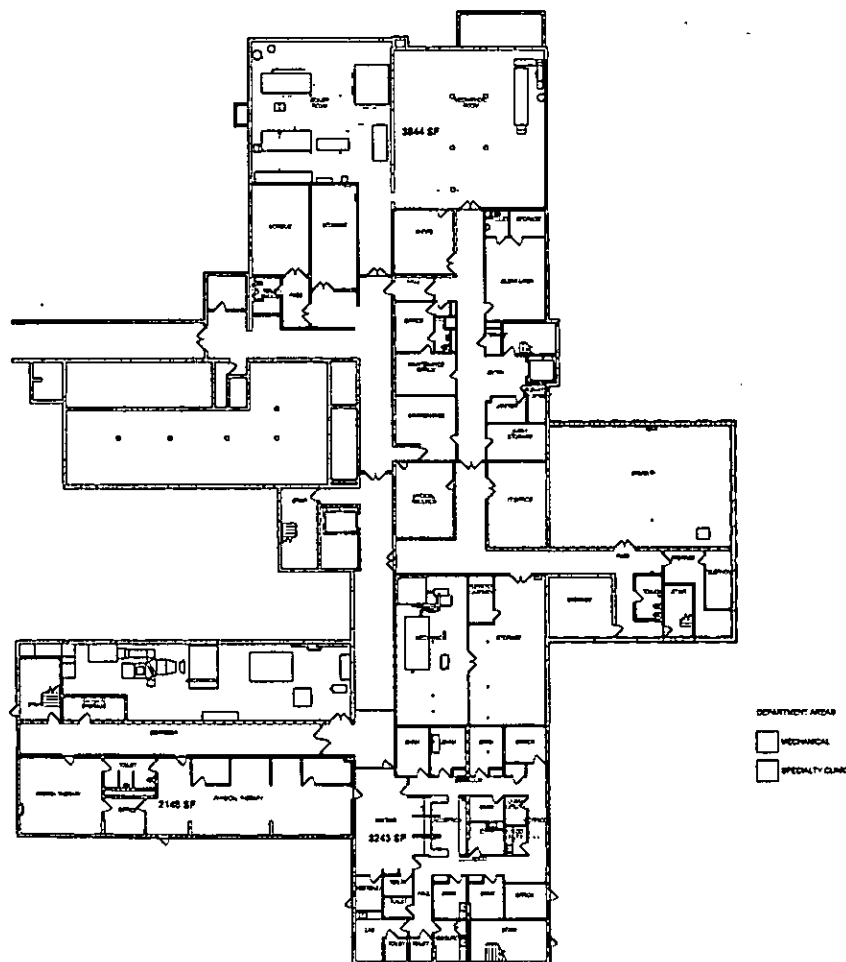
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Illinois

DATE:	05/20/2018
DESIGNED:	BM/M/MCR
DRAWN:	BM/M/MCR
REVIEWED:	MCR/DDB

EXISTING OVERALL
LOWER LEVEL
FLOOR PLAN -
DEPARTMENT AREAS

EX2.0

PROJECT NO: 0170836 00



1 EXISTING OVERALL LOWER LEVEL FLOOR PLAN - DEPARTMENT AREAS

Scale: 1/16" = 1'-0"



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DATE DESCRIPTION

162

CON

Montana Community Hospital

Additions and Renovations

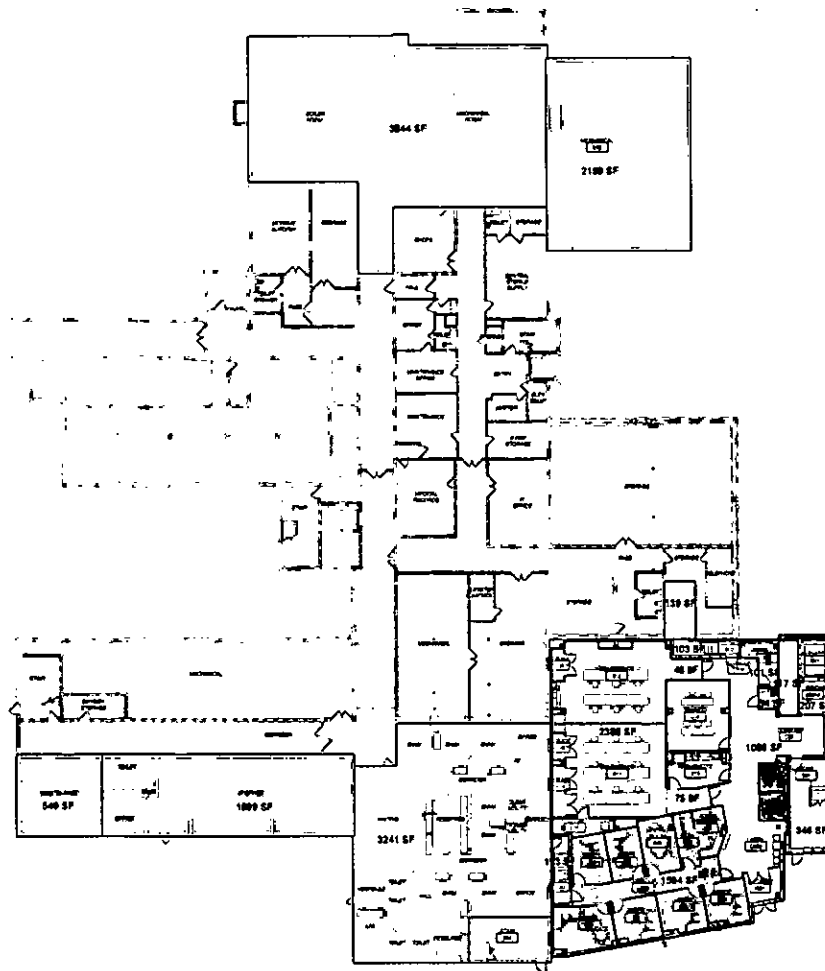
303 N. Jackson Street, Montana,
Montana

DATE: 08/20/2018
DESIGNED: BMM/MCR
DRAWN: BMM/MCR
REVIEWED: MCR/DOB

OVERALL LOWER LEVEL FLOOR PLAN - DEPARTMENT AREAS

G2.0

PROJECT NO.: 0170339.00



- DEPARTMENT AREAS
- ADMINISTRATION
 - CIRCULATION - NEW
 - CIRCULATION - RENOVATED
 - CONFERENCE
 - MECHANICAL
 - SERVICE
 - SPECIALTY CLINIC
 - STORAGE
 - TOILETS

1 OVERALL LOWER LEVEL FLOOR PLAN - DEPARTMENT AREAS

Scale: 1/16" = 1'-0"

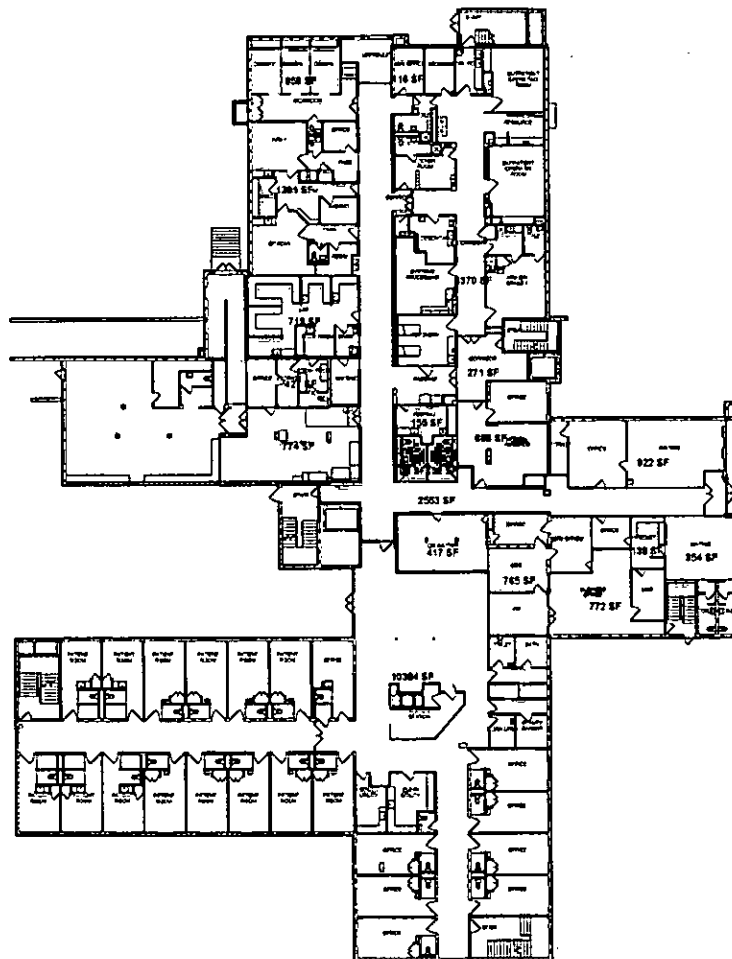


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NO.	DATE	DESCRIPTION
1		



DEPARTMENT AREAS

- | | |
|---|---|
| <input type="checkbox"/> ADMINISTRATION | <input type="checkbox"/> OR - EXISTING |
| <input type="checkbox"/> BILLING AND RECORDS | <input type="checkbox"/> OR - RENOVATED |
| <input type="checkbox"/> CIRCULATION | <input type="checkbox"/> REGISTRATION |
| <input type="checkbox"/> CLINIC | <input type="checkbox"/> SERVICE |
| <input type="checkbox"/> DINING | <input type="checkbox"/> TOLUENE |
| <input type="checkbox"/> EMERGENCY DEPARTMENT | <input type="checkbox"/> WAITING |
| <input type="checkbox"/> IMAGING - EXISTING | |
| <input type="checkbox"/> LAB | |

1 EXISTING OVERALL FIRST FLOOR PLAN - DEPARTMENT AREAS
Scale: 1/16" = 1'-0"

163

CON

Morton Community Hospital

Additions and
Renovations

303 N. Jackson Street, Morton,
Illinois

DATE:	08/20/2018
DESIGNED:	BSM/MCR
DRAWN:	BSM/MCR
REVIEWED:	MCR/DOB

EXISTING OVERALL
FIRST FLOOR PLAN -
DEPARTMENT AREAS

EX2.1

PROJECT NO.: 0170039.00



Farnsworth
GROUP

300 N. COLLEGE AVENUE, SUITE 201
ANN ARBOR, MI 48106
313.763.4444 / info@farnsworth.com

Project Location
300 N. COLLEGE AVENUE, SUITE 201
ANN ARBOR, MI 48106
2 DATE DESCRIPTION

164

CON

Project Location
300 N. COLLEGE AVENUE, SUITE 201
ANN ARBOR, MI 48106
2 DATE DESCRIPTION

**Additions and
Renovations**

300 N. Jackson Street, Ann Arbor,
Michigan

DATE: 08/07/2018
DESIGNED BY: BULKMOR
DRAWN BY: BULKMOR

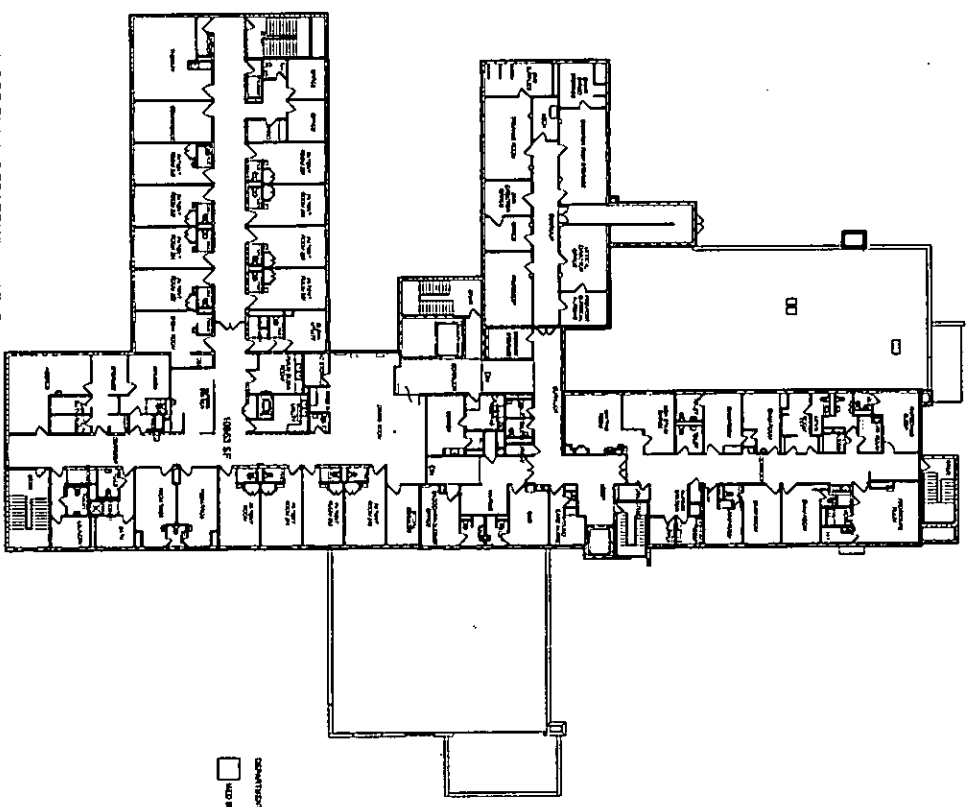
REVIEWED BY: BULKMOR

EXISTING OVERALL
SECOND FLOOR
PLAN - DEPARTMENT
AREAS

EX2.2

PROJECT NO.: 07025010

1 EXISTING OVERALL SECOND FLOOR PLAN - DEPARTMENT AREAS
Scale: 1/8" = 1'-0"





200 W. COLLEGE AVENUE, SUITE 201
NORMAN, OKLAHOMA 73101
(405) 643-6436 / info@t-e.com

Engineering • Architecture • Surveyors • Scientists

DATE	DESCRIPTION
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165

CON

Monteale Community Hospital

Additions and Renovations

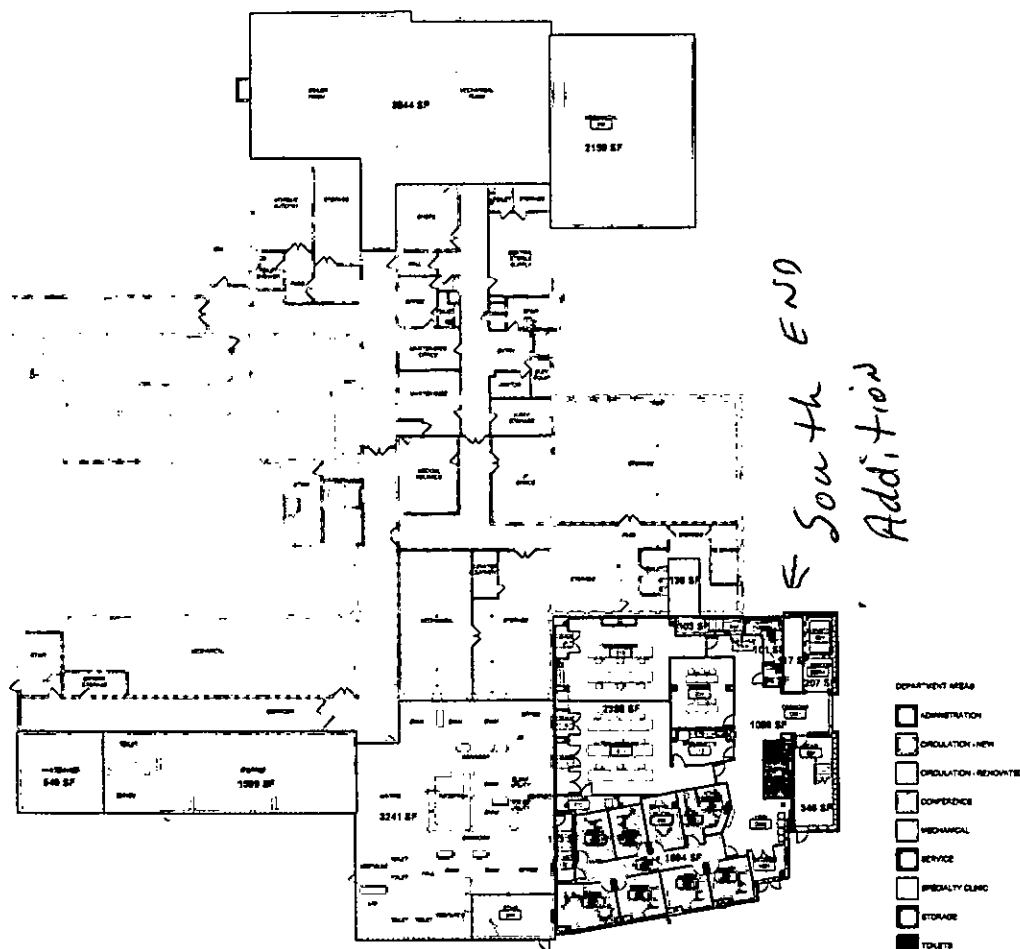
303 N Jackson Street, Monticello,
Illinois

DATE:	08/20/2018
DESIGNED:	BMM/MCF
DRAWN:	BMM/MCF
REVIEWED:	MCR/DGR

OVERALL LOWER
LEVEL FLOOR PLAN -
DEPARTMENT AREAS

G2.0

PROJECT NO: 0170230 0



1 OVERALL LOWER LEVEL FLOOR PLAN - DEPARTMENT AREAS
Scale: 1/16" = 1'-0"



200 W. COLLEGE AVENUE, SUITE 20
NORWALK, ILLINOIS 61761
EDMUND@AOL.COM / 815-635-1100

DATE DESCRIPTION

166

COM

Mention Community Hoagies!

Additions and Renovations

303 N. Jackson Street, Marion, Iowa

DATE: 06/20/2018

ORIGIN: **ETHIOPIA**

REVIEWED	MCB, DALLAS

102

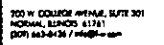
OVERALL FIRST FLOOR PLAN

DEPARTMENT AREAS

G2.1

PROJECT NO: 017020000

1 **OVERALL FIRST FLOOR PLAN - DEPARTMENT AREAS**
Scale: 1/16" = 1'-0"





Farnsworth
GROUP

200 W. COLLEGE AVENUE, SUITE 301
NORWALK, ILLINOIS 61761
(309) 663-8434 / info@fng.com

www.fng.com
Engineers | Architects | Surveyors | Scientists

DATE	DESCRIPTION
------	-------------

691

CON

PROJECT
Morris Community Hospital

**Additions and
Renovations**

303 N. Jackson Street, Morris, Illinois

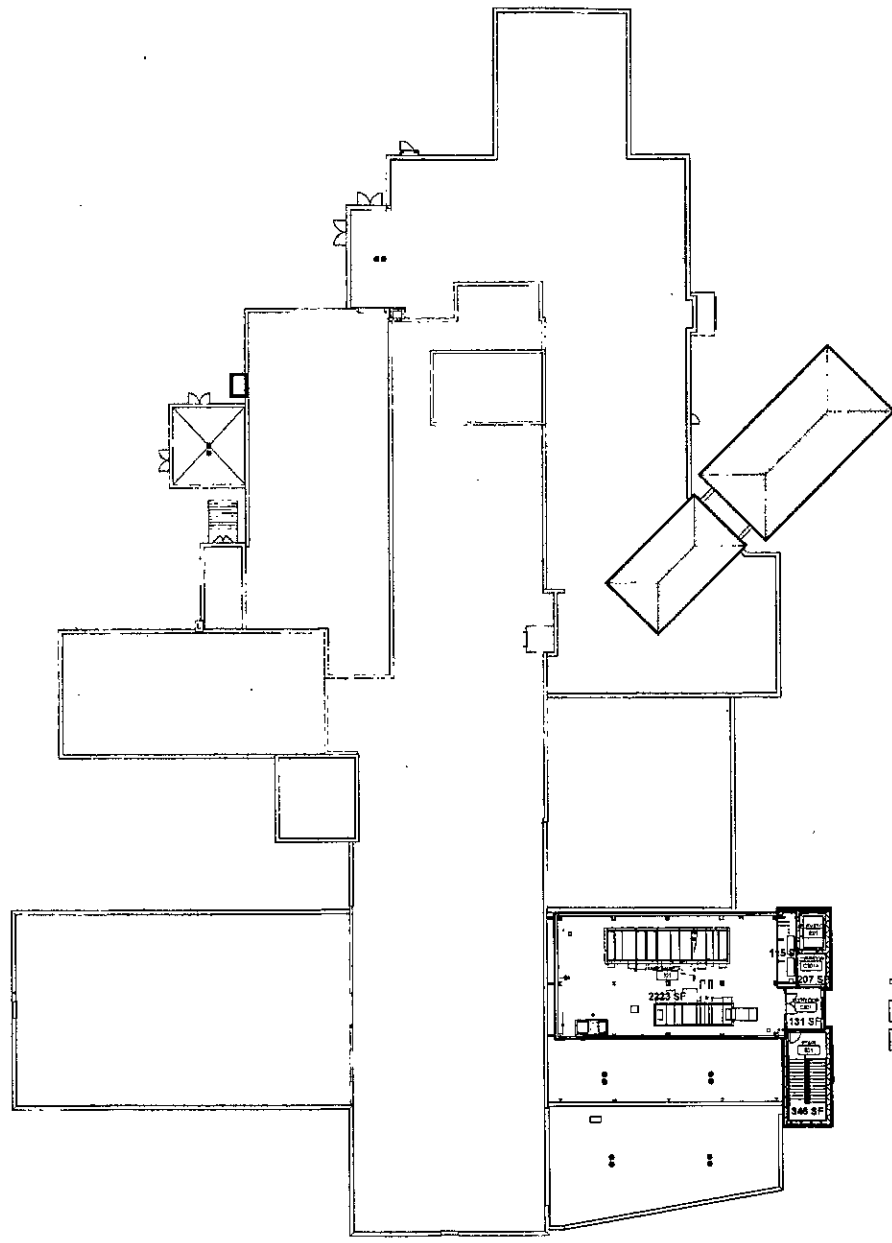
DATE:	08/20/2018
DESIGNED:	BMM/MCR
DRAWN:	BMM/MCR
REVIEWED:	MCR/DGB

SHEET TITLE
**OVERALL THIRD
FLOOR PLAN -
DEPARTMENT AREAS**

SHEET NUMBER

G2.3

PROJECT NO.: 0170039.00



DEPARTMENT AREAS
CIRCULATION - NEW
MECHANICAL

1 OVERALL THIRD FLOOR PLAN - DEPARTMENT AREAS
Scale: 1/16" = 1'-0"